

South Lyon Community Schools

**Financial Report
with Supplemental Information
June 30, 2005**

**Comprehensive
Annual Financial Report
of
South Lyon Community Schools
345 South Warren
South Lyon, Michigan 48178**

For the Fiscal Year Ended
June 30, 2005
Dr. William A. Pearson
Superintendent of Schools

Board of Education

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Prepared by

James R. Graham, Assistant Superintendent of
Business and Finance

Amy Dagenhardt, Controller
Linda Galdes, Business Secretary

South Lyon Community Schools

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Issued Under
Separate
Cover

September 7, 2005

To Citizens and Board Members:

The Comprehensive Annual Financial Report of South Lyon Community Schools for the fiscal year ended June 30, 2005 is submitted herewith. This report was prepared by the Business Department and contains all activities under the control of the Board of Education. Responsibility for both the accuracy of the presented data and the completeness and fairness of the presentation, including all disclosures, rests with the School District. We believe that the data as presented is accurate in all material respects and is presented in a manner designed to fairly set forth the financial position and results of operations of the School District as measured by the financial activity of its various funds with all disclosures necessary to enable the reader to gain the maximum understanding of the School District's financial affairs.

Reporting Entity and Services

The South Lyon Community School District is an independent reporting entity fully meeting the criteria established by the Governmental Accounting Standards Board. All funds of the School District are included in this report. The School District does not have component units.

The financial section reports separately the governmental fund types, proprietary fund type, and the fiduciary fund type administered by the board.

Report Organization

This Comprehensive Annual Financial Report was prepared to provide important information, both financial and nonfinancial in nature, to be used not only by the Board of Education and other administrative officers of the School District, but also by many other groups including taxpayers and patrons of the School District, investors and creditors, grantor agencies, the State of Michigan and other oversight entities, consumer groups, and School District employees.

This report is divided into the following major sections:

Introductory Section

This section introduces the reader to the South Lyon Community School District and to this report. Included are facts about the School District, this transmittal letter, the School District's organization chart, and the Association of School Business Officials Certificate of Excellence in Financial Reporting for the year ended June 30, 2004.

Financial Section

The financial section includes the independent auditor's report on the financial statements and schedules, management's discussion and analysis, government-wide financial statements, the fund financial statements, notes to the financial statements, and required and other supplementary information.

Management is responsible for the financial information and representations contained in the financial statements and other sections of the annual report. In preparing the financial statements, it is necessary that management make informed estimates and judgments based on currently available information of the effects of certain events and transactions.

The management's discussion and analysis, which includes an analysis of the School District's financial position and results of operations, government-wide financial statements, fund financial statements, and supplemental statements and schedules presented in the financial section of this report, presents fairly and with full disclosure the financial position and results of the financial operation at the fund and government-wide levels in conformity with accounting principles generally accepted in the United States of America and demonstrate compliance with finance-related legal and contractual provisions.

The basis of accounting for each fund is consistent with the activities and objectives of the fund as a fiscal and accounting entity.

The supplemental statements and schedules contain a more detailed analysis of revenues and expenditures that are compared to the 2004-2005 budget for the General Fund. Other supplemental information includes the balance sheet and statement of revenue, expenditures, and changes in fund balances as well as statements and schedules containing a more detailed analysis of revenues and expenditures that are compared to the 2004-2005 budget for nonmajor governmental funds as well as the schedule of bonded indebtedness detailing interest rates and annual maturities, schedules of capital assets by building and by source, schedules of long-term debt, and schedules of cash, cash equivalents, and investments.

Statistical Section

Although this section contains substantial financial information, these tables differ from financial statements in that they present some nonaccounting data, compare 10 years of data, and are intended to reflect economic data, financial trends, and the fiscal capabilities of the School District.

About South Lyon Community School District

The Community

The South Lyon Community School District is located in a suburban/rural area of the southeastern section of Michigan, with close proximity to Detroit, Lansing, Ann Arbor, and Flint. The School District encompasses nearly 88 square miles and includes portions of Oakland, Washtenaw, and Livingston Counties. Included in Oakland County are all of the City of South Lyon and a portion of Lyon Township, Milford Township, the City of Novi, and the City of Wixom. In Washtenaw County, included is a portion of Salem Township and Northfield Township. In Livingston County, the School District includes a portion of Green Oak Township.

The School District continues to be a desirable area, and is one of the fastest growing in Michigan. Of the total taxable value of the School District, over 69 percent is considered the primary residence or agricultural property of the taxpayer. Although there is not a number for the district, the median household income for the City of South Lyon and Lyon Township was \$53,395 and \$67,288, respectively, according to the 2000 census.

With the proximity to major cities in Michigan, residents of the School District have many job opportunities. For example, compared to a state unemployment average of 6.6 percent for December 2004, Lyon Township and the City of South Lyon enjoyed an average unemployment rate of 5.3 percent and 6.0 percent, respectively, while Oakland County had a rate of 5.1 percent.

The School Program

The South Lyon Community School District is a leader in curriculum, instruction, assessments, and technology. Student scores on the state assessment test (MEAP) exceed the state averages and all schools are accredited by the North Central Association of Colleges and Schools (NCA).

The School District has a comprehensive and model core curriculum in the areas of language arts, mathematics, social studies, science, music, physical education, visual and performing arts, technology, and health. All curriculums are aligned with the state standards and benchmarks. A five-year plan guides the School District through a five-phase cycle of curriculum renewal: review/revise, installation, implementation, institutionalization, and evaluation. This process involves teachers from all levels and schools in a constant upgrading of curriculum, instruction, assessments, and technology. Technology is viewed as a tool to facilitate learning in any subject area and is integrated into the K-12 curriculum. All students and staff have use of the wide area network for teaching and learning purposes.

The School District also offers programs for students with special interest and learning needs. These include advanced placement opportunities, school to work programs, a variety of languages in the middle and high schools (German, Spanish, French, and Japanese), reading recovery/title I support, essential skills support for at-risk students, tutorial services, and programs for special education and academically talented students.

The School District participates in the county-wide Schools of Choice option and also offers internal choice options where families may choose to attend any elementary school. In addition, to increase continuity of learning experiences, kindergarten students attend school all day, every other day. Through Community Education programs, the School District offers adult education, senior citizen opportunities, Kids Club for latch key students, and both state and tuition-based preschool programs.

The South Lyon Community School District is proud of the rich and varied educational opportunities we provide. While the School District population continues to grow each year, it continues to enjoy strong parent and community support for its students and programs.

The School District has a preschool program, six kindergarten through grade 5 elementary schools, two grade 6 through 8 middle schools, and one grade 9 through 12 high school. Also, there is an Adult Education Program and Senior Citizen Program. In addition, there are two support facilities. The actual 2004-2005 full-time equivalent fall student count was 6,872.67; however, the official State count was 6,815.80. The official count is calculated by taking 75 percent of the current year fall count and adding it to 25 percent of the previous school year winter count.

Service Efforts and Accomplishments

Board Goals

In August 2003, a new strategic planning session of 60 community members comprised of board members, administrators, teachers, support staff, and parents was held to adopt goals for the next five years. These goals are meant to address the needs of the School District through the 2007-2008 fiscal year. A status of the goals is in progress.

GOAL: Curriculum - *To continue regular curriculum review, ensuring that the designed and implemented curriculum is meeting the School District's stated educational purpose.*

GOAL: Instruction K-8 - *To create an environment that incorporates a variety of educational models and instructional strategies that result in the student being an active learner and producer of knowledge.*

GOAL: Technology - *To implement a plan where appropriate technology is integrated into and utilized in the learning community.*

GOAL: Assessments - *To interpret and utilize a variety of assessment data to improve instruction and achievement.*

GOAL: Staff Development - *To provide learning opportunities for all members of the learning community in line with research and best practices.*

GOAL: Growth - *To develop and implement a plan to accommodate the growth of the student population and its impact on the entire district for the next five years.*

GOAL: Operational Systems - *To identify and prioritize the operational systems of the School District, implementing the processes and allocating the resources necessary to continually improve the effectiveness and efficiency of those systems.*

GOAL: Healthy Learning Community - *To establish and maintain a positive environment where effective relationships among all participants include: respectful, cooperative interactions; open communication; an environment of trust; attention to student and staff well-being; a safe, secure environment; and pride in the school community.*

Accreditation

All of the School District's high school, middle schools, and elementary schools are accredited by the North Central Association of Colleges and Schools (NCA). In addition, Michigan's Summary Accreditation Standards continue to be applied to all schools in Michigan. A school's Summary Accreditation status is primarily based on the results from the Michigan Educational Assessment Program (MEAP) and/or High School Proficiency Test.

Education Yes!

To comply with the Federal "No Child Left Behind" legislation, Michigan has created Education Yes! Under this program, all Michigan schools will be graded annually by considering MEAP scores, a comparison of scores over time, and other factors such as parent involvement. For 2004-2005, all schools received a grade of "A", except South Lyon High School, which received a "B".

MEAP

The South Lyon Community Schools' three-year trend MEAP results show an overall upward trend across a five-year span. At the elementary level, in terms of meeting or exceeding the test standards, there was a rise in science and English language arts (ELA) scores. At the middle school level, scores rose in ELA, reading, writing, and social studies. All test scores at the elementary and middle school grades exceeded the state averages.

The high school MEAP scores were increased in both reading and writing. The high school MEAP established three categories for endorsement: Basic Skills, Meets the Standards, and Exceeds the Standards. South Lyon High School exceeded the state averages in all subject areas in terms of meeting or exceeding the test standards.

2004-2005 School Improvement Goals

In 1990, the State of Michigan Legislature passed Public Act 25. This act addressed a number of issues, one being school improvement. The act requires that each school building submit an annual School Improvement Plan. This plan must identify goals, procedures, assessment, cost, resources required, and staff development needs. All of our building plans met the State requirements and the results of each building's plan were presented in June 2005.

Employee Contracts

The teacher's union, the SLEA, has a contract that runs through the 2007-2008 fiscal year. The custodial, maintenance, food service, and transportation union (SLESPA) contract runs through the 2005-2006 fiscal year. The secretary's union (MESPA) contract runs through the 2006-2007 fiscal year.

New Facilities and Expansions

In 1999, the School District's Facilities and Growth Committee presented a report to the Board of Education. This report detailed the Committee's recommendation for a \$67 million bond issue to deal with the continued growth of the School District. The major components of this recommendation were for two new elementary schools, conversion of Centennial Elementary to a middle school, and purchase of land for future buildings. The ballot question was approved overwhelmingly by School District voters.

In August 2001, both Kent Lake Elementary and the new Early Childhood Center opened. In addition, the expansion of the Center for Active Adults was accomplished during the summer of 2001. In August 2003, the remodeling and expansion of Centennial Middle School was accomplished and the school opened as the second middle school for the district. In August 2004, the final building of the bond issue, Hardy Elementary, was completed.

On September 16, 2002, a Bond Facility Committee presented a report to the Board of Education entitled, *Justified by Growth and Paid for By Growth*, which recommended a \$98,850,000 Bond Issue for the primary purpose of building a second high school for the School District (South Lyon East High School to open in 2007). In addition, the report recommended dollars for a special education wing for Hardy Elementary (which was also completed in August 2004), remodeling of the technology, art, and kitchen areas of Millennium Middle School (completed in January 2004), construction of a new transportation/maintenance facility, land purchases, and other various capital projects.

On December 7, 2002, the voters of the South Lyon Community School District approved the \$98,850,000 Bond Issue. The School District sold the first bond installment of \$43,120,000 in January 2003, with the remaining sale of \$55,730,000 in August 2004.

Eight-year Financial Forecast

To assist the School District in providing for financial stability, the School District utilizes an eight-year rolling financial forecast. This forecast takes into account such areas as projected student enrollment, employee compensation, and future facility operating costs to ensure that the School District has a sound long-term financial plan. This forecast includes the operating costs associated with all bond projects, including the new high school.

Financial Stability

The 2004-2005 fiscal year marks the twelfth consecutive year that the School District General Fund has finished the year with a surplus of revenues over expenditures as well as an overall positive fund balance.

Bus Fleet Rated Excellent

For the 2004-2005 fiscal year, the School District received an “excellent” rating from the Michigan State Police in its required annual inspection of buses.

Budget Award

The South Lyon Community School District continues to be one of only three school districts in Michigan that has been awarded the Meritorious Budget Award from the Association of School Business Officials International (ASBO). The School District has submitted budgets for the 1995-1996 through the 2004-2005 fiscal years and received the award for all 10 years.

The Meritorious Budget Awards Program is a voluntary program sponsored by ASBO International. It was designed by school business management professionals to enable school business administrators to achieve a standard of excellence in budget presentation. The program helps school systems build a solid foundation in the skills of developing, analyzing, and presenting a budget.

The Meritorious Budget Award is only conferred to school systems that have met or exceeded the Meritorious Budget Award Program criteria. No other organization or award program is specifically designed to enhance school budgeting and honor a school system for achieving excellence in budget presentation.

Economic Outlook

With the passage of Proposal A in early 1994, the funding of school districts in Michigan was drastically changed. The previous reliance on property taxes as the main revenue source for school districts was changed to a system that added heavy reliance on sales and income taxes. With this shift in funding, school districts are more likely to be impacted by changes in the State’s economy.

In addition, the control of revenues has shifted to the State level. The State Legislature sets the dollar amount increase each school district will receive annually. Since the State uses its General Fund dollars to supplement the cost of K-12 education, the Legislature has no legal responsibility to increase funding to school districts. Therefore, local school districts are dependent on the State Legislature for not only the majority of revenues, but also the funding level.

Increases in the allocation (Foundation Grant) per student had increased at a rate near inflation for South Lyon Community Schools for the years 1995-1996 through 1997-1998. For the 1998-1999 fiscal year, there was no increase in the foundation grant, although the reduction in the School District's contribution to the retirement system provided equivalent resources. For 1999-2000, there was a foundation grant increase of \$238, or 4.16 percent. The increases for 2000-2001 and 2001-2002 were each \$300 per pupil, or an increase of 5.0 percent and 4.8 percent, respectively. In 2002-2003, the increase was reduced to \$200 or 3.0 percent. This increase was somewhat offset by a 3.8 percent reduction in "discretionary state revenues."

Due to the poor economy, the State of Michigan froze the per pupil funding for 2003-2004 at the 2002-2003 level. In addition, due to continued sluggish state revenues, a reduction of \$74 was passed on to school districts in February 2004. This freeze and reduction had a major impact on school districts throughout Michigan, many of whom have already made program cuts or plan on using fund balance dollars. For South Lyon Community Schools, no cuts were made.

For 2004-2005, the situation was the same. The per pupil funding continued to be frozen at the 2002-2003 level. Again, many districts made significant budget reductions. South Lyon is only one of a handful of districts in the five-county area that balanced the budget without cuts or use of fund balance.

For 2005-2006, the current proposal calls for an increase in the per pupil foundation allowance of \$175. However, South Lyon has budgeted the increase at \$125 to help deal with the potential of a mid-year reduction. The School District's budget for 2005-2006 does include about \$800,000 in budget reductions, primarily in the support areas of the district.

2004-2005 represents the twelfth consecutive year that the School District has ended the fiscal year in the black. Our fund balance has continued to improve. Also, we continue to safeguard against future State funding issues, since per contract the wages and retirement contributions of all School District employees are tied to the State increase in funding each year. In addition, the School District continues to spend a portion of General Fund dollars each year to maintain and improve our facilities through the usage of Capital Improvement Programs. Since these dollars are spent on one-time projects, in a lean year these projects could be reduced to balance the budget.

Accounting System, Budgetary, and Internal Controls

The School District maintains a system of budgetary and accounting controls designed to provide reasonable assurance that assets are safeguarded and transactions are recorded and executed with management's authorization. Also, internal controls have been established to supervise the compliance with resource spending and allocation. Management believes that these controls provide reasonable assurance that errors or irregularities that could be material to the financial statements are prevented or would be detected within a timely period. The budget is prepared in accordance with guidelines set forth in the State Financial Reporting Manual and State law.

During the fiscal year, financial reports are generated bi-weekly that identify the budget, current year-to-date revenues, expenditures and encumbrances, and revenues and expenditures over or under budget by amount and percentage. These reports are provided to each budget administrator. The Board of Education receives a financial report on a monthly basis. This report also details the expenditures that have taken place or will take place since the last report.

The report of the School District's independent certified public accountants, Plante & Moran, PLLC, appears on pages 1 and 2 of this report. Their audit of the basic financial statements was performed in accordance with generally accepted auditing standards and *Government Auditing Standards*.

Cash Management

The School District believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all bank deposits. As a result, the School District evaluates each financial institution with which it deposits School District funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

The School District follows the investment authorization of Michigan Public Act 132 of 1986. The School District invests all possible balances on a daily basis in legally approved investments. Total interest earned in the General Fund was \$96,959 for the year ended June 30, 2005.

Risk Management

The School District has contracted with the Accident Fund Company for workers' compensation insurance. Total premiums for the year ended June 30, 2005 were \$202,078.

The School District participates in the SET-SEG property and casualty insurance program. This is a pooled arrangement whereby the participating entities pay annual premiums that are designated to pay claims and build sufficient reserves so that the fund will be able to protect the participating entities. These premiums totaled \$248,174 for the year ended June 30, 2005.

The School District is in compliance with the Right-to-Know legislation including preparation of a Hazard Communication Manual, establishment of directories for all material safety data sheets, employee training, and the use of labels on all hazardous materials used by the School District.

Independent Audit

As required by Michigan State law, an annual audit of the financial records of the South Lyon Community School District has been made by an independent auditor. The School District's financial statements were audited by Plante & Moran, PLLC, as of June 30, 2005. Their audit was made in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*. The financial statements present fairly the financial position of South Lyon Community Schools at June 30, 2005. Their audit also included the single audit on federal financial assistance programs.

Excellence in Financial Reporting

The School District is committed to providing its citizens and other users with comprehensive financial reporting. For school districts meeting the requirements of a comprehensive annual report, the Association of School Business Officials International (ASBO) awards a Certificate of Excellence in Financial Reporting. This is the School District's ninth submission to obtain this certificate. The School District was awarded the Certificate of Excellence in Financial Reporting on its previous eight submissions for the fiscal years ended June 30, 1997 through 2004.

In order to be awarded a Certificate of Excellence, a governmental unit must publish an easily readable and efficiently organized Comprehensive Annual Financial Report whose contents conform to program standards. Such reports must satisfy both accounting principles generally accepted in the United States of America and applicable legal requirements.

A Certificate of Excellence is valid for a period of one year only. The School District believes our current report conforms to program standards and we are submitting our report to ASBO for consideration for the certificate.

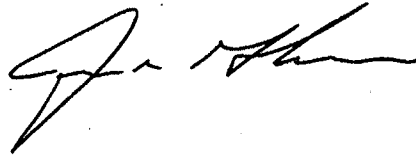
Acknowledgements

The preparation of this report on a timely basis could not have been performed without the efficient and dedicated employees of the business office. We would also like to express our appreciation to other departments and individuals who assisted in the preparation of this report. In addition, we would like to thank the members of the Board of Education for their interest and support in conducting the financial affairs of this School District.

Respectfully submitted,

A handwritten signature in black ink that reads "William A. Pearson". The script is cursive and fluid.

William A. Pearson, Ed. D.
Superintendent of Schools

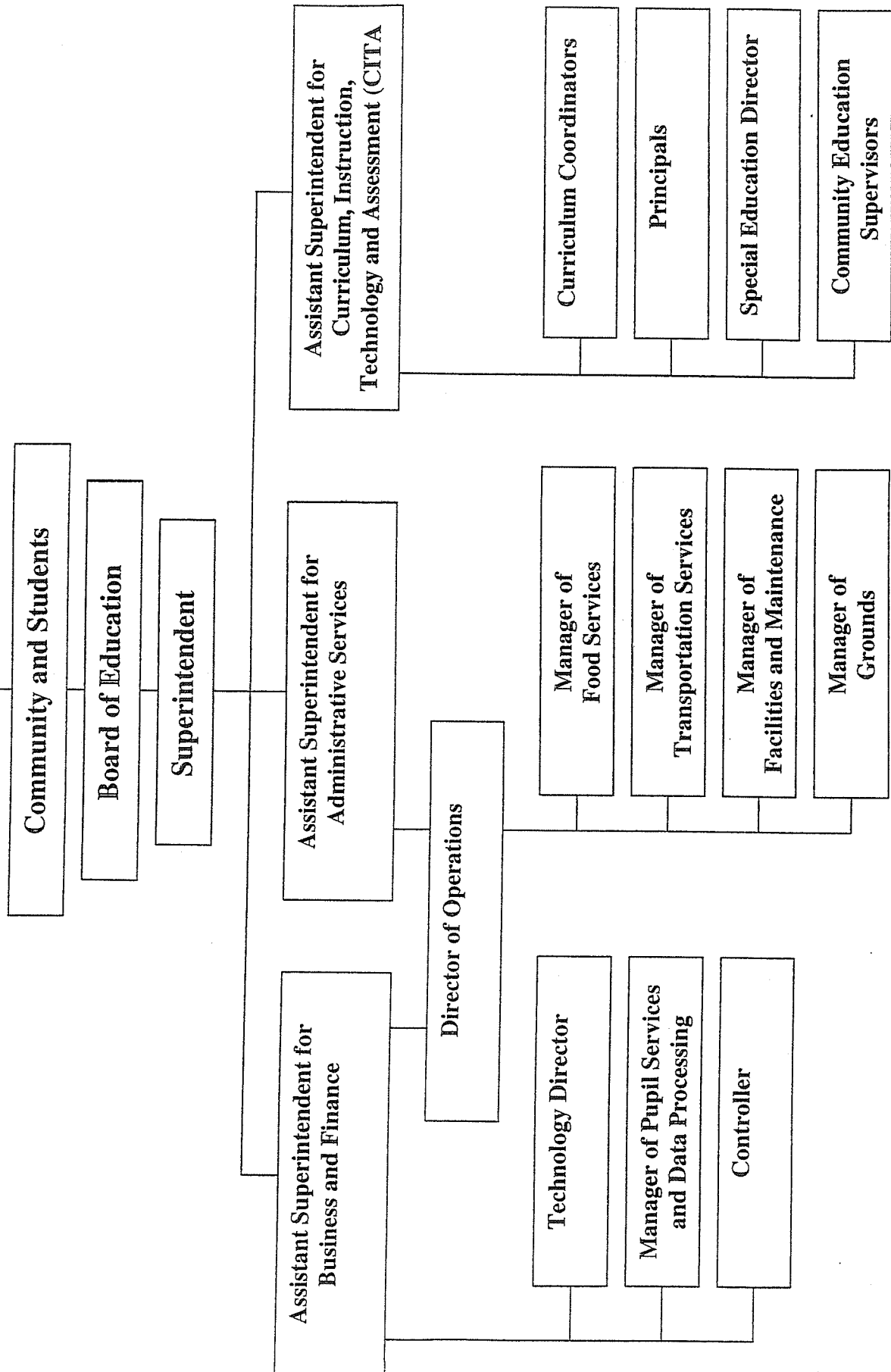
A handwritten signature in black ink that reads "James R. Graham". The script is cursive and somewhat stylized.

James R. Graham
Assistant Superintendent for Business and Finance

A handwritten signature in black ink that reads "Amy Dagenhardt". The script is cursive and elegant.

Amy Dagenhardt
Controller

South Lyon Community Schools Administrative Organization Chart



ASSOCIATION OF SCHOOL BUSINESS OFFICIALS
INTERNATIONAL



This Certificate of Excellence in Financial Reporting is presented to

South Lyon Community Schools

For its Comprehensive Annual Financial Report (CAFR)
For the Fiscal Year Ended June 30, 2004

Upon recommendation of the Association's Panel of Review which has judged that the Report substantially conforms to principles and standards of ASBO's Certificate of Excellence Program

A handwritten signature in cursive script, reading "Jason Thornburgh".

President

A handwritten signature in cursive script, reading "Bruce W. Nelder".

Executive Director

Financial Section



Plante & Moran, PLLC
Suite 200
10 S. Main St.
Mount Clemens, MI 48043
Tel: 586.465.2200
Fax: 586.469.0165
plantemoran.com

Independent Auditor's Report

To the Board of Education
South Lyon Community Schools

We have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the South Lyon Community Schools as of and for the year ended June 30, 2005, which collectively comprise the School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the South Lyon Community Schools' management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the South Lyon Community Schools as of June 30, 2005 and the respective changes in financial position and cash flows, where applicable, for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis (identified in the table of contents) is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.



A worldwide association of independent accounting firms

To the Board of Education
South Lyon Community Schools

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the South Lyon Community Schools' basic financial statements. The accompanying required supplemental information and other supplemental information, as identified in the table of contents, are not a required part of the basic financial statements. The required supplemental information is information required by the Governmental Accounting Standards Board; the other supplemental information is presented for the purpose of additional analysis. The required supplemental information and the other supplemental information have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The accompanying introductory section and statistical tables, as identified in the table of contents, are presented for the purpose of additional analysis and are not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 7, 2005 on our consideration of the South Lyon Community Schools' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide opinions on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Plante & Moran, PLLC

September 7, 2005

South Lyon Community Schools

Management's Discussion and Analysis

This section of the South Lyon Community Schools' annual financial report presents our discussion and analysis of the School District's financial performance during the year ended June 30, 2005. Please read it in conjunction with the School District's financial statements, which immediately follow this section.

Using this Annual Report

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand South Lyon Community Schools financially as a whole. The government-wide financial statements provide information about the activities of the whole School District, presenting both an aggregate view of the School District's finances and a longer-term view of those finances. The fund financial statements provide the next level of detail. For governmental activities, these statements tell how services were financed in the short term as well as what remains for future spending. The fund financial statements look at the School District's operations in more detail than the government-wide financial statements by providing information about the School District's most significant funds - the General Fund, 2003 Series I Capital Projects Fund, and the 2003 Series II Capital Projects Fund, with all other funds presented in one column as nonmajor funds. The proprietary fund statements offer short- and long-term financial information about activities the School District operates like a business, such as community education. Community education is presented as a nonmajor proprietary fund. The remaining statement, the statement of fiduciary assets and liabilities, presents financial information about activities for which the School District acts solely as an agent for the benefit of students and parents. The basic financial statements are comprised of the following elements:

Management's Discussion and Analysis (MD&A)
(Required Supplementary Information)

Basic Financial Statements

Government-wide Financial Statements Fund Financial Statements

Notes to the Financial Statements

(Required Supplemental Information)
Budgetary Information for Major Funds

Other Supplemental Information

In addition, the School District has added the introductory section and the statistical section to complete its Comprehensive Annual Financial Report.

South Lyon Community Schools

Management's Discussion and Analysis (Continued)

Reporting the School District as a Whole - Government-wide Financial Statements

One of the most important questions asked about the School District is, "As a whole, what is the School District's financial condition as a result of the year's activities?" The statement of net assets and the statement of activities, which appear first in the School District's financial statements, report information on the School District as a whole and its activities in a way that helps you answer this question. We prepare these statements to include all assets and liabilities, using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the School District's net assets - the difference between assets and liabilities, as reported in the statement of net assets - as one way to measure the School District's financial health or financial position. Over time, increases or decreases in the School District's net assets - as reported in the statement of activities - are indicators of whether its financial health is improving or deteriorating. The relationship between revenues and expenses is the School District's operating results. However, the School District's goal is to provide services to our students, not to generate profits as commercial entities do. One must consider many other nonfinancial factors, such as the quality of the education provided and the safety of the schools, to assess the overall health of the School District.

The statement of net assets and the statement of activities report the governmental activities and business-type activities for the School District. Governmental activities encompass most of the School District's services, including instruction, support services, community services, athletics, and food services. Property taxes, unrestricted State aid (foundation allowance revenue), and state and federal grants finance most of these activities. Business-type activities include community education, which is financed through charges for services and user fees.

Reporting the School District's Most Significant Funds - Fund Financial Statements

The School District's fund financial statements provide detailed information about the most significant funds - not the School District as a whole. Some funds are required to be established by State law and by bond covenants. However, the School District establishes many other funds to help it control and manage money for particular purposes (the Food Services and Athletics Funds are examples) or to show that it is meeting legal responsibilities for using certain taxes, grants, and other money (such as bond-funded construction funds used for voter-approved capital projects). The governmental funds and proprietary fund of the School District use the following accounting approach:

South Lyon Community Schools

Management's Discussion and Analysis (Continued)

Governmental funds - Most of the School District's services are reported in governmental funds. Governmental fund reporting focuses on showing how money flows into and out of funds and the balances left at year end that are available for spending. They are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the operations of the School District and the services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the School District's programs. We describe the relationship (or differences) between governmental activities (reported in the statement of net assets and the statement of activities) and governmental funds in a reconciliation.

Proprietary funds - Services for which the School District charges a fee intended to cover the entire cost of those services are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide statements.

The School District as Trustee - Reporting the School District's Fiduciary Responsibilities

The School District is the trustee, or fiduciary, for its student activity funds. All of the School District's fiduciary activities are reported in a separate statement of fiduciary assets and liabilities. We exclude these activities from the School District's other financial statements because the School District cannot use these assets to finance its operations. The School District is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

South Lyon Community Schools

Management's Discussion and Analysis (Continued)

The School District as a Whole

Recall that the statement of net assets provides the perspective of the School District as a whole. Table I provides a summary of the School District's net assets as of June 30, 2005 and 2004:

TABLE I - Condensed Statement of Net Assets	Governmental Activities		Business-type Activities	
	2005	2004	2005	2004
	(in millions)		(in millions)	
Assets				
Current and other assets	\$ 86.4	\$ 46.8	\$ 1.0	\$ 1.5
Capital assets	<u>158.3</u>	<u>145.8</u>	<u>-</u>	<u>-</u>
Total assets	244.7	192.6	1.0	1.5
Liabilities				
Current liabilities	17.0	15.9	0.7	1.2
Long-term liabilities	<u>220.1</u>	<u>168.0</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>237.1</u>	<u>183.9</u>	<u>0.7</u>	<u>1.2</u>
Net Assets				
Invested in property and equipment - Net of related debt	(2.0)	3.2	-	-
Restricted	5.0	2.1	-	-
Unrestricted	<u>4.6</u>	<u>3.4</u>	<u>0.3</u>	<u>0.3</u>
Total net assets	<u>\$ 7.6</u>	<u>\$ 8.7</u>	<u>\$ 0.3</u>	<u>\$ 0.3</u>

The above analysis focuses on the net assets (see Table I). The change in net assets (see Table 2) of the School District's governmental and business-type activities is discussed below. The School District's governmental activities net assets were \$7.6 million at June 30, 2005. The School District's business-type net assets were \$0.3 million at June 30, 2005. Capital assets, net of related debt totaling (\$2.0) million, compares the original cost, less depreciation of the School District's capital assets, to long-term debt used to finance the acquisition of those assets. Most of the debt will be repaid from voter-approved property taxes collected as the debt service comes due. Restricted net assets are reported separately to show legal constraints from debt covenants and enabling legislation that limit the School District's ability to use those net assets for day-to-day operations. The remaining amount of net assets was unrestricted.

South Lyon Community Schools

Management's Discussion and Analysis (Continued)

The unrestricted net assets of governmental and business-type activities represent the accumulated results of all past years' operations. The unrestricted net assets balance enables the School District to meet working capital and cash flow requirements as well as to provide for future uncertainties. The operating results of the General Fund will have a significant impact on the change in unrestricted net assets from year to year.

The results of this year's operations for the School District as a whole are reported in the statement of activities (see Table 2), which shows the changes in net assets for fiscal years 2005 and 2004.

TABLE 2 - Condensed Statement
of Activities

	Governmental Activities		Business-type Activities	
	2005	2004	2005	2004
	(in millions)		(in millions)	
Revenue				
Program revenue:				
Charges for services	\$ 1.2	\$ 1.3	\$ 1.3	\$ 1.2
Operating grants	5.8	5.0	-	-
General revenue:				
Property taxes	21.8	19.2	-	-
State foundation allowance	37.2	36.1	-	-
Other	2.1	1.3	-	-
Total revenue	68.1	62.9	1.3	1.2
Functions/Program Expenses				
Instruction	34.9	30.6	-	-
Support services	22.8	20.5	-	-
Community services	0.2	0.2	1.3	1.1
Food services	1.5	1.4	-	-
Athletics	0.2	0.2	-	-
Interest on long-term debt	9.6	8.5	-	-
Total functions/program expenses	69.2	61.4	1.3	1.1
Increase (Decrease) in Net Assets	(1.1)	1.5	-	0.1
Net Assets - Beginning of year	8.7	7.2	0.3	0.2
Net Assets - End of year	<u>\$ 7.6</u>	<u>\$ 8.7</u>	<u>\$ 0.3</u>	<u>\$ 0.3</u>

South Lyon Community Schools

Management's Discussion and Analysis (Continued)

As reported in the statement of activities, the cost of all of our governmental activities this year was \$69.2 million. Certain activities were partially funded from those who benefited from the programs (\$1.2 million) or by other governments and organizations that subsidized certain programs with grants and contributions (\$5.8 million). We paid for the remaining "public benefit" portion of our governmental activities with \$21.8 million in taxes, \$37.2 million in State foundation allowance, and with our other revenues, i.e., interest and general entitlements.

The School District experienced a decrease in net assets of \$1.1 million. Key reasons for the change in net assets were an overall increase in net capital assets of \$12.5 million and a net increase in bonds payable of \$56.6 million, offset by a fund balance increase of \$39.9 million.

As discussed above, the net cost shows the financial burden that was placed on the State and the School District's taxpayers by each of these functions. Since property taxes for operations and unrestricted State aid constitute the vast majority of School District operating revenue sources, the Board of Education and administration must annually evaluate the needs of the School District and balance those needs with State-prescribed available unrestricted resources.

The School District's Funds

As we noted earlier, the School District uses funds to help it control and manage money for particular purposes. Looking at funds helps the reader consider whether the School District is being accountable for the resources taxpayers and others provide to it and may provide more insight into the School District's overall financial health.

As the School District completed this year, the governmental funds reported a combined fund balance of \$77.1 million, which is an increase of \$39.9 million from last year. The primary reasons for the increase are as follows:

In the General Fund, our principal operating fund, the fund balance remained stable, increasing \$50,000 to \$3.3 million. General Fund fund balance is available to fund costs related to allowable school operating purposes.

The 2003 Series I Capital Projects Fund fund balance decreased \$12.8 million in the current year. These bonds were issued in accordance with State law and are used for construction related to erecting, furnishing, and equipping various school buildings.

The 2003 Series II Capital Projects Fund fund balance increased \$50.8 million in the current year. These bonds were issued during the 2004-2005 fiscal year in accordance with State law and are used for construction related to erecting, furnishing, and equipping various school buildings.

South Lyon Community Schools

Management's Discussion and Analysis (Continued)

General Fund Budgetary Highlights

Over the course of the year, the School District revises its budget as it attempts to deal with unexpected changes in revenues and expenditures. State law requires that the budget be amended to ensure that expenditures do not exceed appropriations. The final amendment to the budget was actually adopted just before year end. A schedule showing the School District's original and final budget amounts compared with amounts actually paid and received is provided in required supplementary information of these financial statements.

There were no significant revisions to the 2004-2005 General Fund original budget.

There were no significant variances between the final budget and actual amounts.

Capital Assets and Debt Administration

Capital Assets

As of June 30, 2005, the School District had \$158.3 million invested in a broad range of capital assets, including land, buildings, vehicles, furniture, and equipment. This amount represents a net increase (including additions, disposals, and depreciation) of approximately \$12.5 million, or 9 percent, from last year.

	2005	2004
Land	\$ 10,141,706	\$ 10,141,706
Construction in progress	8,938,340	-
Land improvements	1,359,839	1,359,839
Buildings and building improvements	163,130,500	156,219,567
Buses and other vehicles	4,043,752	3,900,162
Furniture and equipment	2,340,835	2,340,835
Total capital assets	189,954,972	173,962,109
Less accumulated depreciation	31,684,157	28,184,093
Net capital assets	<u>\$ 158,270,815</u>	<u>\$ 145,778,016</u>

This year's additions of \$16.0 million included building renovations, new school construction, and buses. New debt was issued to fund substantially all of these additions.

Several major capital projects are planned for the 2005-2006 fiscal year. We anticipate capital additions will be significantly more than the 2004-2005 fiscal year. We present more detailed information about our capital assets in the notes to the financial statements.

South Lyon Community Schools

Management's Discussion and Analysis (Continued)

Debt

At the end of this year, the School District had \$219,810,000 in bonds outstanding versus \$169,670,000 in the previous year - a change of 30 percent. Those bonds consisted of the following:

	2005	2004
General Obligation Bonds	<u>\$ 219,810,000</u>	<u>\$ 169,670,000</u>

The School District's general obligation bond rating is AAA by Standard & Poor's and Aaa by Moody's. The State limits the amount of general obligation debt that schools can issue to 15 percent of the assessed value of all taxable property within the School District's boundaries. If the School District issues "qualified debt," i.e., debt backed by the State of Michigan, such obligations are not subject to this debt limit. The School District's outstanding unqualified general obligation debt of \$43,120,000 as of June 30, 2005 is significantly below this \$235.9 million statutorily imposed limit.

Other obligations include accrued vacation pay, sick leave, arbitrage liabilities, and capital leases. We present more detailed information about our long-term liabilities in the notes to the financial statements.

Economic Factors and Next Year's Budgets and Rates

Our elected officials and administration consider many factors when setting the School District's 2006 fiscal year budget. One of the most important factors affecting the budget is our student count. The State foundation revenue is determined by multiplying the blended student count by the foundation allowance per pupil. The blended count for the 2006 fiscal year is budgeted at 25 percent and 75 percent of the February 2005 and September 2005 student counts, respectively. The 2006 budget was adopted in June 2005, based on an estimate of students that will be enrolled in September 2005. Approximately 90 percent of total General Fund revenue is from the foundation allowance. Under State law, the School District cannot assess additional property tax revenue for general operations. As a result, School District funding is heavily dependent on the State's ability to fund local school operations. Based on early enrollment data at the start of the 2006 school year, we anticipate that the fall student count will be close to the estimates used in creating the 2006 budget. Once the final student count and related per pupil funding is validated, State law requires the School District to amend the budget if actual district resources are not sufficient to fund original appropriations.

South Lyon Community Schools

Statement of Net Assets June 30, 2005

	Governmental Activities	Business-type Activities	Total
Assets			
Cash and investments (Note 3)	\$ 8,097,196	\$ 1,564	\$ 8,098,760
Receivables:			
Taxes	25,275	-	25,275
Accounts	12,840	-	12,840
Due from other governmental units	7,631,885	-	7,631,885
Internal balances (Note 6)	594,164	1,016,899	1,611,063
Inventories	47,717	-	47,717
Prepaid costs	182,645	-	182,645
Restricted cash and investments (Notes 1 and 3)	69,811,242	-	69,811,242
Capital assets - Less accumulated depreciation of \$31,684,157 (Note 5)	158,270,815	-	158,270,815
Total assets	244,673,779	1,018,463	245,692,242
Liabilities			
Accounts payable	3,819,995	5,549	3,825,544
Internal balances (Note 6)	1,016,899	594,164	1,611,063
Accrued payroll and other liabilities	5,997,644	20,352	6,017,996
Deferred revenue (Note 4)	24,264	77,655	101,919
Long-term liabilities (Note 7):			
Due within one year	6,040,309	-	6,040,309
Due in more than one year	220,127,412	-	220,127,412
Total liabilities	237,026,523	697,720	237,724,243
Net Assets			
Investment in capital assets - Net of related debt	(1,973,595)	-	(1,973,595)
Restricted:			
Debt service	4,665,022	-	4,665,022
Capital projects	358,258	-	358,258
Unrestricted	4,597,571	320,743	4,918,314
Total net assets	\$ 7,647,256	\$ 320,743	\$ 7,967,999

South Lyon Community Schools

Statement of Activities Year Ended June 30, 2005

	Program Revenues			Governmental Activities	Business-type Activities	
				Net (Expense) Revenue and Changes in Net Assets	Net (Expense) Revenue and Changes in Net Assets	Total
	Expenses	Charges for Services	Operating Grants/ Contributions			
Functions/Programs						
Primary government - Governmental activities:						
Instruction	\$ 34,908,527	\$ -	\$ 5,407,965	\$ (29,500,562)	\$ -	\$ (29,500,562)
Support services	22,794,525	-	-	(22,794,525)	-	(22,794,525)
Food services	1,468,043	1,002,099	389,285	(76,659)	-	(76,659)
Athletics	209,215	236,013	-	26,798	-	26,798
Community services	154,516	6,756	-	(147,760)	-	(147,760)
Interest on long-term debt	9,594,366	-	-	(9,594,366)	-	(9,594,366)
Governmental activities	69,129,192	1,244,868	5,797,250	(62,087,074)		(62,087,074)
Business-type activities - Community education						
	1,261,082	1,275,575	-	-	14,493	14,493
Total	<u>\$ 70,390,274</u>	<u>\$ 2,520,443</u>	<u>\$ 5,797,250</u>	(62,087,074)	14,493	(62,072,581)
General revenues:						
Taxes:						
Property taxes, levied for general purposes				8,441,726	-	8,441,726
Property taxes, levied for debt services				13,395,463	-	13,395,463
State aid not restricted to specific purposes				37,153,120	-	37,153,120
Interest and investment earnings				1,223,136	-	1,223,136
Other				806,733	-	806,733
Total general revenues				61,020,178	-	61,020,178
Change in Net Assets				(1,066,896)	14,493	(1,052,403)
Net Assets - Beginning of year				8,714,152	306,250	9,020,402
Net Assets - End of year				\$ 7,647,256	\$ 320,743	\$ 7,967,999

South Lyon Community Schools

Governmental Funds Balance Sheet June 30, 2005

	General Fund	2003 Series I Capital Projects Fund	2003 Series II Capital Projects Fund	Other Nonmajor Governmental Funds	Total Governmental Funds
Assets					
Cash and investments (Note 3)	\$ 3,200,335	\$ -	\$ -	\$ 4,896,861	\$ 8,097,196
Receivables:					
Taxes	2,253	-	-	23,022	25,275
Accounts	-	-	-	12,840	12,840
Due from other governmental units	7,631,885	-	-	-	7,631,885
Due from other funds (Note 6)	953,109	305,674	-	1,821,978	3,080,761
Inventories	19,040	-	-	28,677	47,717
Prepaid costs	182,645	-	-	-	182,645
Restricted cash and investments (Notes 1 and 3)	-	16,663,666	52,393,402	754,174	69,811,242
Total assets	\$ 11,989,267	\$ 16,969,340	\$ 52,393,402	\$ 7,537,552	\$ 88,889,561
Liabilities and Fund Balances					
Liabilities					
Accounts payable	\$ 867,240	\$ 1,177,780	\$ 1,586,232	\$ 221,331	\$ 3,852,583
Accrued payroll and other liabilities	4,396,414	-	-	1,044	4,397,458
Due to other funds (Note 6)	3,303,171	-	-	167,737	3,470,908
Deferred revenue (Note 4)	24,264	-	-	-	24,264
Total liabilities	8,591,089	1,177,780	1,586,232	390,112	11,745,213
Fund Balances					
Reserved:					
Commitments (Note 5)	-	15,791,560	50,807,170	-	66,598,730
Inventories	19,040	-	-	28,677	47,717
Prepaid costs	182,645	-	-	-	182,645
Capital projects	-	-	-	2,060,387	2,060,387
Debt service	-	-	-	4,665,022	4,665,022
Unreserved:					
Designated for compensated absences	547,041	-	-	-	547,041
Designated for subsequent years'					
building allocations	292,735	-	-	-	292,735
Undesignated, reported in:					
General Fund	2,356,717	-	-	-	2,356,717
Special Revenue Funds	-	-	-	393,354	393,354
Total fund balances	3,398,178	15,791,560	50,807,170	7,147,440	77,144,348
Total liabilities and fund balances	\$ 11,989,267	\$ 16,969,340	\$ 52,393,402	\$ 7,537,552	\$ 88,889,561

South Lyon Community Schools

Governmental Funds **Reconciliation of the Balance Sheet of Governmental Funds** **to the Statement of Net Assets** **Year Ended June 30, 2005**

Fund Balance - Total Governmental Funds **\$ 77,144,348**

Amounts reported for governmental activities in the
statement of net assets are different because:

Capital assets used in governmental activities are
not financial resources and are not reported
in the governmental funds:

Cost of capital assets	\$ 189,954,972	
Accumulated depreciation	<u>(31,684,157)</u>	158,270,815

Long-term liabilities are not due and payable in
the current period and are not reported in
the governmental funds:

Bonds, notes, and capital lease payable	(225,527,673)
Compensated absences	(547,041)
Arbitrage liability	(93,007)

Accrued interest payable is not included as a
liability in governmental funds

(1,600,186)

Net Assets - Governmental Activities **\$ 7,647,256**

South Lyon Community Schools

Governmental Funds Statement of Revenue, Expenditures, and Changes in Fund Balances Year Ended June 30, 2005

	General Fund	2003 Series I Capital Projects Fund	2003 Series II Capital Projects Fund	Other Nonmajor Governmental Funds	Total Governmental Funds
Revenue					
Local sources	\$ 8,898,430	\$ 533,344	\$ 381,975	\$ 14,917,624	\$ 24,731,373
State sources	38,343,712	-	-	63,002	38,406,714
Federal sources	1,804,992	-	-	326,283	2,131,275
Interdistrict sources	2,620,912	-	-	-	2,620,912
Total revenue	51,668,046	533,344	381,975	15,306,909	67,890,274
Expenditures					
Current:					
Instruction	28,497,026	-	-	-	28,497,026
Support services	21,591,937	-	-	-	21,591,937
Community services	154,516	-	-	-	154,516
Food service	-	-	-	1,468,043	1,468,043
Athletics	-	-	-	209,215	209,215
Other	499,760	-	-	-	499,760
Debt service:					
Principal	-	-	-	4,751,004	4,751,004
Interest	-	-	-	9,141,896	9,141,896
Other	-	-	352,632	437,475	790,107
Capital outlay	260,148	13,361,242	3,091,164	2,294,572	19,007,126
Total expenditures	51,003,387	13,361,242	3,443,796	18,302,205	86,110,630
Excess (Deficiency) of Revenue Over Expenditures	664,659	(12,827,898)	(3,061,821)	(2,995,296)	(18,220,356)
Other Financing Sources (Uses)					
Transfers in	-	-	-	7,649,917	7,649,917
Transfers out	(614,325)	-	(4,549,838)	(2,485,754)	(7,649,917)
Long-term debt issued	-	-	55,730,000	55,563,590	111,293,590
Premium on long-term debt issued	-	-	2,688,829	4,182,947	6,871,776
Payment to bond escrow agent	-	-	-	(60,032,628)	(60,032,628)
Total other financing sources (uses)	(614,325)	-	53,868,991	4,878,072	58,132,738
Net Change in Fund Balances	50,334	(12,827,898)	50,807,170	1,882,776	39,912,382
Fund Balances - Beginning of year	3,347,844	28,619,458	-	5,264,664	37,231,966
Fund Balances - End of year	<u>\$ 3,398,178</u>	<u>\$ 15,791,560</u>	<u>\$ 50,807,170</u>	<u>\$ 7,147,440</u>	<u>\$ 77,144,348</u>

South Lyon Community Schools

Governmental Funds **Reconciliation of the Statement of Revenue, Expenditures,** **and Changes in Fund Balances of Governmental Funds** **to the Statement of Activities** **Year Ended June 30, 2005**

Net Change in Fund Balances - Total Governmental Funds **\$ 39,912,382**

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlay as expenditures; in the statement of activities, these costs are allocated over their estimated useful lives as depreciation:

Depreciation expense	\$ (3,500,064)	
Capitalized capital outlay	<u>15,992,863</u>	12,492,799

Note and bond issuance is not reported as financing sources on the statement of activities	(111,293,590)
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Underwriter's premiums and deferred charges reported as revenues and expenditures in the funds and amortized in the statement of activities	(2,965,963)
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Revenue reported in the statement of activities in the prior year that provided current financial resources and was not reported as revenue in the governmental funds (GASB 33)	(208,531)
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Accrued interest is recorded in the statement of activities when incurred; it is not reported in governmental funds until due:	
Accrued interest at July 1, 2004	1,147,716
Accrued interest at July 1, 2005	(1,600,186)

Repayment of bond and note principal is an expenditure in the governmental funds, but not in the statement of activities (where it reduces long-term debt)	61,297,701
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Compensated absences and certain other liabilities are recorded when earned in the statement of activities. In the current year, more was paid out than earned	<u>150,776</u>
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Change in Net Assets of Governmental Activities	<u>\$ (1,066,896)</u>
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South Lyon Community Schools

Proprietary Fund Statement of Net Assets June 30, 2005

	Community Education Fund
Assets	
Cash and cash equivalents (Note 3)	\$ 1,564
Due from other funds (Note 6)	<u>1,016,899</u>
Total assets	1,018,463
Liabilities	
Accounts payable	5,549
Accrued salaries and other liabilities	20,352
Deferred revenue (Note 4)	77,655
Due to other funds (Note 6)	<u>594,164</u>
Total liabilities	<u>697,720</u>
Net Assets - Unrestricted	<u>\$ 320,743</u>

South Lyon Community Schools

Proprietary Fund Statement of Revenue, Expenses, and Changes in Fund Net Assets Year Ended June 30, 2005

	Community Education Fund
Operating Revenue - Charges for services	\$ 1,275,575
Operating Expenses - Community services	<u>1,261,082</u>
Change in Net Assets - Operating income	14,493
Net Assets - Beginning of year	<u>306,250</u>
Net Assets - End of year	<u><u>\$ 320,743</u></u>

South Lyon Community Schools

Proprietary Fund Statement of Cash Flows Year Ended June 30, 2005

	Community Education Fund
Cash Flows from Operating Activities	
Receipts from customers	\$ 1,303,819
Payments for services	<u>(1,315,248)</u>
Net Decrease in Cash and Cash Equivalents	(11,429)
Cash and Cash Equivalents - Beginning of year	<u>12,993</u>
Cash and Cash Equivalents - End of year	<u><u>\$ 1,564</u></u>
Reconciliation of operating income to net cash from operating activities:	
Operating income	\$ 14,493
Adjustments to reconcile operating income to net cash from operating activities - Changes in assets and liabilities:	
Due from other funds	468,533
Accounts payable	(5,714)
Accrued salaries and other liabilities	6,885
Deferred revenue	28,244
Due to other funds	<u>(523,870)</u>
Net cash used in operating activities	<u><u>\$ (11,429)</u></u>

South Lyon Community Schools

Fiduciary Fund Statement of Fiduciary Assets and Liabilities June 30, 2005

	Student Activities Fund
Assets	
Cash and investments (Note 3)	\$ 534,491
Due from other funds (Note 6)	<u>158,620</u>
Total assets	<u><u>\$ 693,111</u></u>
Liabilities	
Accounts payable	\$ 447
Due to other funds (Note 6)	191,208
Due to student groups	<u>501,456</u>
Total liabilities	<u><u>\$ 693,111</u></u>

South Lyon Community Schools

Notes to Financial Statements June 30, 2005

Note 1 - Summary of Significant Accounting Policies

The accounting policies of the South Lyon Community Schools (the "School District") conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by the School District:

Reporting Entity

The School District is governed by an elected seven-member Board of Education. The accompanying financial statements have been prepared in accordance with criteria established by the Governmental Accounting Standards Board for determining the various governmental organizations to be included in the reporting entity. These criteria include significant operational financial relationships that determine which of the governmental organizations are a part of the School District's reporting entity, and which organizations are legally separate, component units of the School District. Based on the application of the criteria, the School District does not contain any component units.

Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenue includes (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes, intergovernmental payments, and other items not properly included among program revenues are reported instead as general revenue.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

Note 1 - Summary of Significant Accounting Policies (Continued)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

Government-wide Financial Statements - The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants, categorical aid, and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Private sector standards of accounting issued prior to November 30, 1989 generally are followed to the extent that those standards do not conflict with guidance of the Governmental Accounting Standards Board. The School District has elected to also follow private sector guidance issued after November 30, 1989 for its business-type activities.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between business-type and governmental activities, where eliminations of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as program revenue include (1) charges to customers or applicants for goods, services, or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions. Internally dedicated resources are reported as general revenue rather than as program revenue. Likewise, general revenue includes all taxes and unrestricted State aid.

Fund Financial Statements - Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the School District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Note I - Summary of Significant Accounting Policies (Continued)

Property taxes, unrestricted State aid, intergovernmental grants, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenue of the current fiscal period. All other revenue items are considered to be available only when cash is received by the School District.

Proprietary fund and fiduciary fund statements are also reported using the economic resources measurement focus and the accrual basis of accounting. As discussed above, this means that private sector standards of accounting issued prior to November 30, 1989 generally are followed to the extent that those standards do not conflict with guidance of the Governmental Accounting Standards Board. The School District has elected to also follow private sector guidance issued after November 30, 1989 for its Enterprise Funds. Proprietary funds distinguish operating revenue and expenses from nonoperating items. Operating revenue and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal revenue of our proprietary funds relates to charges to customers for services. Operating expenses for proprietary funds include the cost of sales and services and administrative expenses. All revenue and expenses not meeting this definition are reported as nonoperating revenue and expenses.

The School District reports the following major governmental funds:

General Fund - The General Fund is the School District's primary operating fund. It accounts for all financial resources of the School District, except those required to be accounted for in another fund.

2003 Series I Capital Projects Fund - The 2003 Series I Capital Projects Fund is used to record bond proceeds or other revenue and the disbursement of funds specifically designated for acquiring new school sites, buildings, equipment, and for remodeling. The fund operates until the purpose for which it was created is accomplished.

2003 Series II Capital Projects Fund - The 2003 Series II Capital Projects Fund is used to record bond proceeds or other revenue and the disbursement of funds specifically designated for acquiring new school sites, buildings, equipment, and for remodeling. The fund operates until the purpose for which it was created is accomplished.

South Lyon Community Schools

Notes to Financial Statements June 30, 2005

Note 1 - Summary of Significant Accounting Policies (Continued)

Additionally, the School District reports the following fund types:

Special Revenue Funds - Special Revenue Funds are used to account for the proceeds of specific revenue sources that are restricted to expenditure for specified purposes. The School District's Special Revenue Funds include the Food Services and Athletics Funds. Any operating deficit generated by these activities is the responsibility of the General Fund.

Debt Service Funds - Debt Service Funds are used to record tax, interest, and other revenue for payment of interest, principal, and other expenditures on bonded debt issues.

Proprietary Fund - The School District's proprietary fund is comprised of the Community Education Fund. The Community Education Fund is supported by user fees and provides community recreation programs.

Student Activities Agency Fund - The School District presently maintains an Agency Fund to record the transactions of student groups for school and school-related purposes. The funds are segregated and held in trust for the students.

Assets, Liabilities, and Net Assets or Equity

Cash and Investments - Cash and investments include cash on hand, demand deposits, and short-term investments. Investments are stated at fair value. Pooled investment income from the Debt Service Funds is generally allocated to each fund using a weighted average of balance for the principal.

Receivables and Payables - In general, outstanding balances between funds are reported as "due to/from other funds." Activities between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "advances to/from other funds." Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as "internal balances."

All trade and property tax receivables are shown net of an allowance for uncollectible amounts. The School District considers all accounts receivable to be fully collectible; accordingly, no allowance for uncollectible amounts is recorded. Property taxes are assessed as of December 31 and the related property taxes become a lien on December 1 of the following year. These taxes are billed on July 1. Taxes are considered delinquent on March 1 of the following year. At this time, penalties and interest are assessed and the total obligation is added to the county tax rolls.

Note 1 - Summary of Significant Accounting Policies (Continued)

Inventories and Prepaid Costs - Inventories are valued at cost, on a first-in, first-out basis. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased. Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid costs in both government-wide and fund financial statements.

Restricted Assets - The unspent bond proceeds and related interest of the Capital Projects Funds require amounts to be set aside for construction. These amounts have been classified as restricted assets.

Capital Assets - Capital assets, which include land, buildings, equipment, and vehicles, are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the School District as assets with an initial individual cost of more than \$17,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Costs of normal repair and maintenance that do not add to the value or materially extend asset life are not capitalized. The School District does not have infrastructure-type assets.

Buildings, equipment, and vehicles are depreciated using the straight-line method over the following useful lives:

Buildings and building additions	20-50 years
Buses and other vehicles	5-10 years
Furniture and other equipment	5-10 years

Compensated Absences - The liability for compensated absences reported in the government-wide statements consists of earned but unused accumulated vacation and sick leave benefits. A liability for these amounts is reported in governmental funds as it comes due for payment. The liability has been calculated using the vesting method, in which leave amounts for both employees who are currently eligible to receive termination payments and other employees who are expected to become eligible in the future to receive such payments upon termination are included.

Long-term Obligations - In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and are amortized over the term of the related debt.

Note 1 - Summary of Significant Accounting Policies (Continued)

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period.

The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts are reported as other financing uses. Issuance costs are reported as debt service expenditures.

Fund Equity - In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Comparative Data - Comparative data is not included in the School District's basic financial statements.

Accounting Change - Effective July 1, 2005, the School District will adopt the provisions of Governmental Accounting Standards Board Statement No. 42, *Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries*. This Statement will require governments to report the effects of capital asset impairments in their financial statements when they occur rather than as a part of the ongoing depreciation expense for the capital asset or upon disposal of the capital assets. In addition, the Statement requires all governments to account for insurance recoveries in the same manner. The School District's management does not believe this accounting change will have a significant impact on the School District.

Note 2 - Stewardship, Compliance, and Accountability

Budgetary Information - Annual budgets are adopted on a basis consistent with generally accepted accounting principles and State law for the General, Special Revenue, Debt Service, and Capital Projects Funds. All annual appropriations lapse at fiscal year end.

The budget document presents information by fund and function. The legal level of budgetary control adopted by the governing body (i.e., the level at which expenditures may not legally exceed appropriations) is the function level. State law requires the School District to have its budget in place by July 1. Expenditures in excess of amounts budgeted for the General and Special Revenue Funds are a violation of Michigan law. State law permits districts to amend their budgets during the year. There were no significant amendments during the year.

South Lyon Community Schools

Notes to Financial Statements June 30, 2005

Note 2 - Stewardship, Compliance, and Accountability (Continued)

Amounts encumbered for purchase orders, contracts, etc. are not tracked during the year. Budget appropriations are considered to be spent once the goods are delivered or the services rendered.

Excess of Expenditures Over Appropriations in Budgeted Funds - The School District did not have significant expenditure budget variances.

Capital Projects Funds Compliance - The Capital Projects Funds include capital project activities funded with bonds issued after May 1, 1994. For these capital projects, the School District has complied with the applicable provisions of §1351a of the State of Michigan's School Code.

Beginning with the year of bond issuance, the School District has reported the annual construction activity in the 2000 Series II Capital Projects Funds. The projects for which these bonds were issued were considered complete on June 30, 2005 and the cumulative expenditures recognized for the construction period were \$16,445,845.

Beginning with the year of bond issuance, the School District has reported the annual construction activity in the 2000 Series III Capital Projects Funds. The projects for which these bonds were issued were considered complete on June 30, 2005 and the cumulative expenditures recognized for the construction period were \$41,955,398.

Note 3 - Deposits and Investments

State statutes and the School District's investment policy authorize the School District to make deposits in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan. The School District is allowed to invest in U.S. Treasury or Agency obligations, U.S. government repurchase agreements, bankers' acceptances, commercial paper rated prime at the time of purchase that matures not more than 270 days after the date of purchase, mutual funds, and investment pools that are composed of authorized investment vehicles. The School District's deposits are in accordance with statutory authority.

The School District has designated three banks for the deposit of its funds.

Note 3 - Deposits and Investments (Continued)

The School District's cash and investments are subject to several types of risk, which are examined in more detail below:

Custodial Credit Risk of Bank Deposits - Custodial credit risk is the risk that in the event of a bank failure, the School District's deposits may not be returned to it. The School District's investment policy requires that financial institutions be evaluated and only those with an acceptable risk level are used for the School District's deposits for custodial credit risk. At year end, the School District deposit balance of \$796,235 had \$696,235 of bank deposits (certificates of deposit, checking and savings accounts) that were uninsured and uncollateralized. The School District believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits. As a result, the School District evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

Custodial Credit Risk of Investments - Custodial credit risk is the risk that, in the event of the failure of the counterparty, the School District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The School District's policy for custodial credit risk states custodial credit risk will be minimized by limiting investments to the types of securities allowed by state law, and by Board pre-approval the financial institutions, broker/dealers, intermediaries, and advisors with which the School District will do business using the criteria established in the investment policy. The School District does not have investments with custodial credit risk.

Interest Rate Risk - Interest rate risk is the risk that the value of investments will decrease as a result of a rise in interest rates. The School District's investment policy does not restrict investment maturities, other than commercial paper which can only be purchased with a 270-day maturity. The School District's policy minimizes interest rate risk by requiring the structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities in the open market; and investing operating funds primarily in shorter-term securities, liquid asset funds, money market mutual funds, or similar investment pools and limiting the average maturity in accordance with the School District's cash requirements.

Credit Risk - State law limits investments in commercial paper to the top two ratings issued by nationally recognized statistical rating organizations. The School District's investment policy does not further limit its investment choices.

South Lyon Community Schools

Notes to Financial Statements June 30, 2005

Note 3 - Deposits and Investments (Continued)

At year end, the maturities of investments and the credit quality ratings of debt securities (other than the U.S. government) are as follows:

<u>Investment</u>	<u>Fair Value</u>	<u>Maturities</u>	<u>Rating</u>	<u>Rating Organization</u>
Comerica Governmental Cash Investment Fund	\$ 1,063,698	Varies	A1/P1/F1	N/A
Michigan Liquid Asset Fund	12,248,921	Varies	AAAm	Standard & Poor's
Fifth Third Money Market	1,484,708	Varies	Not rated	Not rated
U.S. Treasury Notes	6,606,527	5/15/2006 - 2/15/2007	Not rated	Not rated
Federal Home Loan Mortgage Corp. Bonds	25,641,574	9/15/2005 - 3/15/2022	AAA	Standard and Poor's
Federal National Mortgage Association Bonds	13,771,981	7/15/2005 - 6/25/2026	AAA	Standard and Poor's
Government National Mortgage Association Bonds	2,120,548	2/16/2028	AAA	Standard and Poor's
Federal Home Loan Bank Bonds	13,115,691	8/1/2005 - 11/15/2007	Aaa	Moody's
Federal Farm Credit Bank Bonds	1,594,000	10/19/2005	Aaa	Moody's
Total investments	<u>\$ 77,647,648</u>			

Concentration of Credit Risk - The School District places no limit on the amount the School District may invest in any one issuer. The School District's policy minimizes concentration of credit risk by requiring diversification of the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized.

Foreign Currency Risk - Foreign currency risk is the risk that an investment denominated in the currency of a foreign country could reduce its U.S. dollar value, as a result of changes in foreign currency exchange rates. State law and the School District's policy prohibit investment in foreign currency.

Note 4 - Deferred Revenue

Governmental funds report deferred revenue in connection with receivables for revenue that is not considered to be available to liquidate liabilities of the current period. Governmental funds and the proprietary fund also defer revenue recognition in connection with resources that have been received but not yet earned. At the end of the current fiscal year, deferred revenue in the governmental funds include unearned grant and categorical aid payments received prior to meeting all eligibility requirements in the amount of \$24,264. At the end of the current fiscal year, deferred revenue in the proprietary fund includes resources that have been received but not yet earned in the amount of \$77,655.

South Lyon Community Schools

Notes to Financial Statements June 30, 2005

Note 5 - Capital Assets

Capital asset activity of the School District's governmental activities was as follows:

	Balance July 1, 2004	Additions	Disposals and Adjustments	Balance June 30, 2005
Capital assets not being depreciated:				
Land	\$ 10,141,706	\$ -	\$ -	\$ 10,141,706
Construction in progress	-	8,938,340	-	8,938,340
Capital assets being depreciated:				
Land improvements	1,359,839	-	-	1,359,839
Building and building improvements	156,219,567	6,910,933	-	163,130,500
Buses and other vehicles	3,900,162	143,590	-	4,043,752
Furniture and equipment	2,340,835	-	-	2,340,835
Subtotal	163,820,403	7,054,523	-	170,874,926
Accumulated depreciation:				
Land improvements	431,059	66,005	-	497,064
Building and building improvements	23,605,680	2,763,874	-	26,369,554
Buses and other vehicles	2,359,245	381,004	-	2,740,249
Furniture and equipment	1,788,109	289,181	-	2,077,290
Subtotal	28,184,093	3,500,064	-	31,684,157
Net capital assets being depreciated	135,636,310	3,554,459	-	139,190,769
Net governmental capital assets	<u>\$ 145,778,016</u>	<u>\$ 12,492,799</u>	<u>\$ -</u>	<u>\$ 158,270,815</u>

Business-type activities do not maintain capital assets but instead pay a fee to the governmental funds for use of capital assets.

Depreciation expense was charged to activities of the School District as follows:

Governmental activities:	
Instruction	\$ 2,100,038
Support services	<u>1,400,026</u>
Total governmental activities	<u>\$ 3,500,064</u>

South Lyon Community Schools

Notes to Financial Statements June 30, 2005

Note 5 - Capital Assets (Continued)

Construction Commitments - The School District has active construction projects at year end. The projects include the 2000 Series II, 2000 Series III, 2003 Series I, and 2003 Series II Capital Projects Funds. At year end, the School District's commitments with contractors are as follows:

	Spent to Date	Remaining Commitment
2000 Series II	\$ 14,800,885	\$ -
2000 Series III	41,955,398	-
2003 Series I	28,701,088	15,791,560
2003 Series II	7,993,634	50,807,170
Total	<u>\$ 93,451,005</u>	<u>\$ 66,598,730</u>

Note 6 - Interfund Receivables, Payables, and Transfers

The composition of interfund balances is as follows:

Fund Due To	Fund Due From				Total
	General Fund	Nonmajor Governmental Funds	Nonmajor Enterprise Fund	Fiduciary Fund	
General Fund	\$ -	\$ 167,737	\$ 594,164	\$ 191,208	\$ 953,109
2003 Series I Capital Projects Fund	305,674	-	-	-	305,674
Nonmajor governmental funds	1,821,978	-	-	-	1,821,978
Nonmajor Enterprise Fund	1,016,899	-	-	-	1,016,899
Fiduciary Fund	158,620	-	-	-	158,620
Total	<u>\$ 3,303,171</u>	<u>\$ 167,737</u>	<u>\$ 594,164</u>	<u>\$ 191,208</u>	<u>\$ 4,256,280</u>

Interfund balances represent routine and temporary cash flow assistance until amounts are transferred from fund investment accounts.

South Lyon Community Schools

Notes to Financial Statements June 30, 2005

Note 6 - Interfund Receivables, Payables, and Transfers (Continued)

Interfund Transfers

The composition of interfund transfers is as follows:

	Transfers Out			Total
	General	2003 Series II Capital	Nonmajor Governmental	
	Fund	Projects Fund	Funds	
Transfers in - Nonmajor governmental funds	<u>\$ 614,325</u>	<u>\$ 4,549,838</u>	<u>\$ 2,485,754</u>	<u>\$ 7,649,917</u>

General Fund interfund transfers represent routine, recurring transfers to other governmental funds. Other governmental funds transfers represent a transfer of remaining fund balances from the 1992 Series I and 1994 Series I Debt Service Funds to the 1997 Series I Debt Service Fund. Other governmental funds transfers also related to the 2005 Refunding of the 2000 Series I, 2000 Series II, and 2000 Series III Debt Service Funds and transfers from the 2003 Series II Capital Projects Fund to the 2003 Series II Debt Service Fund.

Note 7 - Long-term Debt

The School District issues bonds, notes, and other contractual commitments to provide for the acquisition and construction of major capital facilities and the acquisition of certain equipment. General obligation bonds are direct obligations and pledge the full faith and credit of the School District. Notes and installment purchase agreements are also general obligations of the School District. Other long-term obligations include capital lease obligations, compensated absences, arbitrage obligations, and termination benefits.

South Lyon Community Schools

Notes to Financial Statements June 30, 2005

Note 7 - Long-term Debt (Continued)

Long-term obligation activity can be summarized as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities					
Bonds	\$ 169,670,000	\$ 111,150,000	\$ 61,010,000	\$ 219,810,000	\$ 5,340,000
Issuance premium	1,112,342	6,871,776	380,553	7,603,565	380,553
Less deferred charges	-	(3,732,628)	(207,368)	(3,525,260)	(207,368)
Total bonds payable	170,782,342	114,289,148	61,183,185	223,888,305	5,513,185
Bus installment obligation	1,023,024	143,590	287,701	878,913	278,917
Capital leases	864,945	-	104,490	760,455	148,207
Compensated absences	536,565	10,476	-	547,041	50,000
Arbitrage obligations	149,769	-	56,762	93,007	50,000
Total governmental activities	<u>\$ 173,356,645</u>	<u>\$ 114,443,214</u>	<u>\$ 61,632,138</u>	<u>\$ 226,167,721</u>	<u>\$ 6,040,309</u>

The Enterprise Fund has no long-term debt as of June 30, 2005.

Annual debt service requirements to maturity for the above governmental bond and note obligations are as follows:

	Governmental Activities		
	Principal	Interest	Total
2006	\$ 5,792,102	\$ 13,875,856	\$ 19,667,958
2007	6,408,843	13,419,266	19,828,109
2008	7,110,887	13,106,527	20,217,414
2009	7,423,246	11,128,390	18,551,636
2010	8,334,760	10,819,670	19,154,430
2011-2015	52,835,925	41,058,727	93,894,652
2016-2020	61,740,923	27,523,582	89,264,505
2021-2025	53,787,719	12,171,273	65,958,992
2026-2028	21,332,813	2,091,250	23,424,063
Total	<u>\$ 224,767,218</u>	<u>\$ 145,194,541</u>	<u>\$ 369,961,759</u>

South Lyon Community Schools

Notes to Financial Statements June 30, 2005

Note 7 - Long-term Debt (Continued)

Governmental Activities

General obligation bonds consist of the following:

\$9,095,000 serial and term bonds due in annual installments of \$535,000 to \$695,000 through May 1, 2020; interest at 4.5% to 5.125%	\$ 8,580,000
\$39,900,000 serial and term bonds due in annual installments of \$1,420,000 to \$2,015,000 through May 1, 2023; interest at 4.05% to 5.4%	35,030,000
\$14,570,000 serial and term bonds due in annual installments of \$210,000 to \$735,000 through May 1, 2010; interest at 5.25% to 5.40%	2,275,000
\$15,145,000 serial and term bonds due in annual installments of \$675,000 to \$800,000 through May 1, 2010; interest at 5.13% to 5.25%	3,775,000
\$38,230,000 serial and term bonds due in annual installments of \$1,000,000 through May 1, 2008; interest at 4.5%	3,000,000
\$20,815,000 serial and term bonds due in annual installments of \$825,000 to \$1,690,000 through May 1, 2014; interest at 3.65% to 5.25%	12,880,000
\$43,120,000 serial and term bonds due in annual installments of \$125,000 to \$2,625,000 through May 1, 2028; interest at 3.0% to 5.25%	43,120,000
\$55,730,000 serial and term bonds due in annual installments of \$25,000 to \$4,350,000 through May 1, 2028; interest at 3.25% to 5.25%	55,730,000
\$55,420,000 serial and term bonds due in annual installments of \$650,000 to \$4,395,000 through May 1, 2023; interest at 3.25% to 5.0%	<u>55,420,000</u>
Total bonded debt	<u>\$ 219,810,000</u>

South Lyon Community Schools

Notes to Financial Statements June 30, 2005

Note 7 - Long-term Debt (Continued)

Notes consist of the following:

Date	Original Amount	Due Date	Interest Rate (Percent)	Remaining to Maturity	
				Interest	Principal
07/12/01	\$ 305,000	05/01/06	3.10-3.95	\$ 2,568	\$ 65,000
07/01/02	305,000	05/01/07	2.5-3.25	6,024	125,000
07/03/03	230,000	07/03/08	3.39	9,774	187,015
06/30/04	438,024	06/30/09	4.72	26,343	358,308
06/15/05	<u>143,590</u>	06/15/10	4.98	<u>22,146</u>	<u>143,590</u>
Total	<u>\$ 1,421,614</u>			<u>\$ 66,855</u>	<u>\$ 878,913</u>

Capital Leases - The School District has entered into a lease agreement as lessee for financing the purchase of a portion of the city administration building. This lease agreement qualifies as a capital lease for accounting purposes and, therefore, has been recorded at the present value of the future minimum lease payments as of the inception date. Required payments under the full term of the lease total \$2,204,805. The remaining future minimum lease obligations and the net present value is as follows:

2006	\$ 148,207
2007	148,608
2008	148,608
2009	151,220
2010	150,495
2011	<u>152,381</u>

Total minimum lease payments	899,519
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Less amount representing interest	<u>139,064</u>
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Present value of minimum lease payments	<u>\$ 760,455</u>
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Note 7 - Long-term Debt (Continued)

Advance and Current Refundings - During the year, the School District issued \$55,420,000 in general obligation bonds with an average interest rate of 5 percent. The proceeds of these bonds were used to refund \$56,300,000 of outstanding 2000 Series I, 2000 Series II, and 2000 Series III bonds with an average interest rate of 5.56 percent, 5.38 percent, and 4.89 percent, respectively. The net proceeds of \$60,032,628 (after payment of \$421,667 in underwriting fees, insurance, and other issuance costs) were used to purchase U.S. government securities and were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the original bonds. As a result, the bonds are considered to be defeased and the liability for the bonds has been removed from the School District's long-term obligations. The advance refunding reduced total debt service payments by approximately \$3,449,000, which represents an economic gain of approximately \$2,697,000.

In prior years, the School District defeased certain bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust accounts assets and liabilities for the defeased bonds are not included in the basic financial statements. At June 30, 2005, \$81,780,000 of total bonds outstanding are considered defeased.

Note 8 - Risk Management

The School District is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation), as well as medical benefits provided to employees. The School District has purchased commercial insurance for medical benefit claims and for claims subsequent to August 30, 1992 relating to workers' compensation and participates in the SET-SEG risk pool for claims relating to property and casualty. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

The shared-risk pool program in which the School District participates operates as a common risk-sharing management program for school districts in Michigan; member premiums are used to purchase commercial excess insurance coverage and to pay member claims in excess of deductible amounts.

Note 9 - Defined Benefit Pension Plan

Plan Description - As required by the Michigan Public School Retirement Act of 1979, as amended, the School District participates in the Michigan Public School Employees' Retirement System (MPSERS), a statewide, cost-sharing, multiple-employer defined benefit public employee retirement system governed by the State of Michigan that covers substantially all employees of the School District. The MPSERS provide retirement, survivor, and disability benefits to plan members and their beneficiaries. The Michigan Public School Employees' Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for the MPSERS. That report may be obtained by writing to the MPSERS at P.O. Box 30171, Lansing, MI 48909-7671.

Funding Policy - Employer contributions to the MPSERS result from the implementing effects of the School Finance Reform Act. Under these procedures, each school district is required to contribute the full actuarial funding contribution amount to fund pension benefits, plus an additional amount to fund retiree health care benefit amounts on a cash disbursement basis.

The pension benefit rate totals 12.99 percent and 14.87 percent of the covered payroll to the plan for the periods from July 1, 2004 through September 30, 2004 and October 1, 2004 through June 30, 2005, respectively. Basic plan members make no contributions, but Member Investment Plan members contribute at rates ranging from 3 percent to 4.3 percent of gross wages. The School District's contributions to the MPSERS plan for the years ended June 30, 2005, 2004, and 2003 were \$4,611,208, \$3,651,417, and \$3,723,765, respectively.

Postemployment Benefits - Under the MPSERS Act, all retirees participating in the MPSERS pension plan have the option of continuing health, dental, and vision coverages. Retirees having these coverages contribute an amount equivalent to the monthly cost for Part B Medicare and 10 percent of the monthly premium amount for the health, dental, and vision coverages. Required contributions for post-employment health care benefits are included as part of the School District's total contribution to the MPSERS plan discussed above.

Required Supplemental Information

South Lyon Community Schools

Required Supplemental Information Budgetary Comparison Schedule - General Fund Year Ended June 30, 2005

	Original Budget	Final Budget	Actual	Over (Under) Final Budget
Revenue				
Local sources	\$ 9,019,461	\$ 9,002,461	\$ 8,898,430	\$ (104,031)
State sources	38,127,830	38,399,009	38,343,712	(55,297)
Federal sources	1,316,860	1,813,727	1,804,992	(8,735)
Interdistrict sources	1,846,898	2,606,673	2,620,912	14,239
Total revenue	50,311,049	51,821,870	51,668,046	(153,824)
Expenditures - Current				
Instruction:				
Basic programs	23,357,535	23,440,969	23,205,250	(235,719)
Added needs	4,448,028	4,749,092	4,847,211	98,119
Support services:				
Pupil	2,289,949	2,465,854	2,455,852	(10,002)
Instructional staff	3,370,662	3,423,077	3,439,269	16,192
General administration	956,778	940,821	903,152	(37,669)
School administration	3,264,694	3,286,279	3,288,992	2,713
Business services	971,478	817,242	838,705	21,463
Transportation and maintenance	9,163,382	9,614,035	9,544,085	(69,950)
Central services and other support services	1,400,159	1,093,914	1,121,882	27,968
Community services	163,759	163,755	154,516	(9,239)
Other	79,720	911,120	944,325	33,205
Capital outlay	153,317	253,137	260,148	7,011
Total expenditures	49,619,461	51,159,295	51,003,387	(155,908)
Other Financing Uses - Transfers out	(614,325)	(614,325)	(614,325)	-
Net Change in Fund Balance	77,263	48,250	50,334	2,084
Fund Balance - July 1, 2004	3,347,844	3,347,844	3,347,844	-
Fund Balance - June 30, 2005	<u>\$ 3,425,107</u>	<u>\$ 3,396,094</u>	<u>\$ 3,398,178</u>	<u>\$ 2,084</u>

Other Supplemental Information

South Lyon Community Schools

	Special Revenue Funds				Debt Service		
	Food Services	Athletics	1992 Series I	1994 Series I	1997 Series I	1998 Series I	2000 Series I
Assets							
Cash and investments	\$ 282,599	\$ 11,946	\$ -	\$ -	\$ 94,005	\$ 300,573	\$ 119,763
Receivables:							
Taxes	-	-	-	-	840	5,227	1,625
Accounts	12,840	-	-	-	-	-	-
Due from other funds	20,188	224,412	-	-	-	9,687	3,804
Inventories	28,677	-	-	-	-	-	-
Restricted cash and investments	-	-	-	-	-	-	-
Total assets	<u>\$ 344,304</u>	<u>\$ 236,358</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 94,845</u>	<u>\$ 315,487</u>	<u>\$ 125,192</u>
Liabilities and Fund Balances							
Liabilities							
Accounts payable	\$ -	\$ 582	\$ -	\$ -	\$ -	\$ -	\$ -
Salaries and other accrued liabilities	1,044	-	-	-	-	-	-
Due to other funds	<u>85,883</u>	<u>71,122</u>	<u>-</u>	<u>-</u>	<u>518</u>	<u>-</u>	<u>-</u>
Total liabilities	86,927	71,704	-	-	518	-	-
Fund Balances							
Reserved:							
Inventories	28,677	-	-	-	-	-	-
Capital projects	-	-	-	-	-	-	-
Debt service	-	-	-	-	94,327	315,487	125,192
Unreserved - Undesignated, reported in Special Revenue Funds	<u>228,700</u>	<u>164,654</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total fund balances	<u>257,377</u>	<u>164,654</u>	<u>-</u>	<u>-</u>	<u>94,327</u>	<u>315,487</u>	<u>125,192</u>
Total liabilities and fund balances	<u>\$ 344,304</u>	<u>\$ 236,358</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 94,845</u>	<u>\$ 315,487</u>	<u>\$ 125,192</u>

**Other Supplemental Information
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2005**

Funds						Capital Projects Funds		
2000 Series II	2000 Series III	2001 Refunding	2003 Series I	2003 Series II	2005 Refunding	Bus Purchases	Site Projects	2000 Series I
\$ 168,349	\$ 295,231	\$ 203,757	\$ 212,695	\$ 2,689,291	\$ 518,652	\$ -	\$ -	\$ -
2,465	4,496	3,792	4,577	-	-	-	-	-
-	-	-	-	-	-	-	-	-
2,936	7,432	12,012	4,331	-	-	518,570	53,873	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	94,638
<u>\$ 173,750</u>	<u>\$ 307,159</u>	<u>\$ 219,561</u>	<u>\$ 221,603</u>	<u>\$ 2,689,291</u>	<u>\$ 518,652</u>	<u>\$ 518,570</u>	<u>\$ 53,873</u>	<u>\$ 94,638</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 143,589	\$ 21,323	\$ -
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	143,589	21,323	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	374,981	32,550	94,638
173,750	307,159	219,561	221,603	2,689,291	518,652	-	-	-
-	-	-	-	-	-	-	-	-
<u>173,750</u>	<u>307,159</u>	<u>219,561</u>	<u>221,603</u>	<u>2,689,291</u>	<u>518,652</u>	<u>374,981</u>	<u>32,550</u>	<u>94,638</u>
<u>\$ 173,750</u>	<u>\$ 307,159</u>	<u>\$ 219,561</u>	<u>\$ 221,603</u>	<u>\$ 2,689,291</u>	<u>\$ 518,652</u>	<u>\$ 518,570</u>	<u>\$ 53,873</u>	<u>\$ 94,638</u>

South Lyon Community Schools

Other Supplemental Information Combining Balance Sheet Nonmajor Governmental Funds (Concluded) June 30, 2005

	Capital Projects Funds			
	2000 Series II	2000 Series III	Capital Improvements	Total
Assets				
Cash and investments	\$ -	\$ -	\$ -	\$ 4,896,861
Receivables:				
Taxes	-	-	-	23,022
Accounts	-	-	-	12,840
Due from other funds	705	44,021	920,007	1,821,978
Inventories	-	-	-	28,677
Restricted cash and investments	558,715	100,821	-	754,174
Total assets	<u>\$ 559,420</u>	<u>\$ 144,842</u>	<u>\$ 920,007</u>	<u>\$ 7,537,552</u>
Liabilities and Fund Balances				
Liabilities				
Accounts payable	\$ 17,292	\$ 35,410	\$ 3,135	\$ 221,331
Salaries and other accrued liabilities	-	-	-	1,044
Due to other funds	10,214	-	-	167,737
Total liabilities	27,506	35,410	3,135	390,112
Fund Balances				
Reserved:				
Inventories	-	-	-	28,677
Capital projects	531,914	109,432	916,872	2,060,387
Debt service	-	-	-	4,665,022
Unreserved - Undesignated, reported in Special Revenue Funds	-	-	-	393,354
Total fund balances	<u>531,914</u>	<u>109,432</u>	<u>916,872</u>	<u>7,147,440</u>
Total liabilities and fund balances	<u>\$ 559,420</u>	<u>\$ 144,842</u>	<u>\$ 920,007</u>	<u>\$ 7,537,552</u>

South Lyon Community Schools

	Special Revenue Funds		Debt Service		
	Food Services	Athletics	1992 Series I	1994 Series I	1997 Series I
Revenue					
Local	\$ 1,002,099	\$ 236,013	\$ -	\$ 1,150	\$ 490,361
State	63,002	-	-	-	-
Federal	326,283	-	-	-	-
Total revenue	1,391,384	236,013	-	1,150	490,361
Expenditures					
Current:					
Food services	1,468,043	-	-	-	-
Athletics	-	209,215	-	-	-
Debt service:					
Principal	-	-	-	-	55,000
Interest	-	-	-	-	429,790
Other	-	-	-	172	382
Capital outlay	-	-	-	-	-
Total expenditures	1,468,043	209,215	-	172	485,172
Excess of Revenue Over (Under) Expenditures	(76,659)	26,798	-	978	5,189
Other Financing Sources (Uses)					
Transfers in	-	29,667	-	-	91,859
Transfers out	-	-	(83,102)	(8,757)	-
Long-term debt issued	-	-	-	-	-
Premium on long-term debt issued	-	-	-	-	-
Payment to bond escrow agent	-	-	-	-	-
Total other financing sources (uses)	-	29,667	(83,102)	(8,757)	91,859
Net Change in Fund Balances (Deficit)	(76,659)	56,465	(83,102)	(7,779)	97,048
Fund Balances (Deficit) - Beginning of year	334,036	108,189	83,102	7,779	(2,721)
Fund Balances - End of year	\$ 257,377	\$ 164,654	\$ -	\$ -	\$ 94,327

Other Supplemental Information
Combining Statement of Revenue, Expenditures,
and Changes in Fund Balances (Deficit)
Nonmajor Governmental Funds
Year Ended June 30, 2005

Funds								Capital Projects Funds
1998 Series I	2000 Series I	2000 Series II	2000 Series III	2001 Refunding	2003 Series I	2003 Series II	2005 Refunding	Bus Purchases
\$ 3,073,800	\$ 981,045	\$ 1,475,286	\$ 2,671,624	\$ 2,686,535	\$ 2,242,659	\$ 4,511	\$ -	\$ -
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
3,073,800	981,045	1,475,286	2,671,624	2,686,535	2,242,659	4,511	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
1,195,000	135,000	600,000	700,000	2,025,000	-	-	-	41,004
1,759,679	482,565	532,269	1,020,538	656,958	2,107,338	1,865,058	-	287,701
3,528	1,397	1,554	2,917	3,366	2,492	-	421,667	-
-	-	-	-	-	-	-	-	143,590
2,958,207	618,962	1,133,823	1,723,455	2,685,324	2,109,830	1,865,058	421,667	472,295
115,593	362,083	341,463	948,169	1,211	132,829	(1,860,547)	(421,667)	(472,295)
-	-	-	-	-	-	4,549,838	1,370,000	300,000
-	(315,000)	(255,000)	(800,000)	-	-	-	-	-
-	-	-	-	-	-	-	55,420,000	143,590
-	-	-	-	-	-	-	4,182,947	-
-	-	-	-	-	-	-	(60,032,628)	-
-	(315,000)	(255,000)	(800,000)	-	-	4,549,838	940,319	443,590
115,593	47,083	86,463	148,169	1,211	132,829	2,689,291	518,652	(28,705)
199,894	78,109	87,287	158,990	218,350	88,774	-	-	403,686
<u>\$ 315,487</u>	<u>\$ 125,192</u>	<u>\$ 173,750</u>	<u>\$ 307,159</u>	<u>\$ 219,561</u>	<u>\$ 221,603</u>	<u>\$ 2,689,291</u>	<u>\$ 518,652</u>	<u>\$ 374,981</u>

South Lyon Community Schools

Other Supplemental Information Combining Statement of Revenue, Expenditures, and Changes in Fund Balances (Deficit) Nonmajor Governmental Funds (Concluded) Year Ended June 30, 2005

	Capital Projects Funds					
	Site Projects	2000 Series I	2000 Series II	2000 Series III	Capital Improvements	Total
Revenue						
Local	\$ -	\$ 1,157	\$ 17,021	\$ 34,363	\$ -	\$ 14,917,624
State	-	-	-	-	-	63,002
Federal	-	-	-	-	-	326,283
Total revenue	-	1,157	17,021	34,363	-	15,306,909
Expenditures						
Current:						
Food services	-	-	-	-	-	1,468,043
Athletics	-	-	-	-	-	209,215
Debt service:						
Principal	-	-	-	-	-	4,751,004
Interest	-	-	-	-	-	9,141,896
Other	-	-	-	-	-	437,475
Capital outlay	101,754	2,000	143,377	1,560,131	343,720	2,294,572
Total expenditures	101,754	2,000	143,377	1,560,131	343,720	18,302,205
Excess of Revenue Over (Under) Expenditures	(101,754)	(843)	(126,356)	(1,525,768)	(343,720)	(2,995,296)
Other Financing Sources (Uses)						
Transfers in	84,658	-	-	1,023,895	200,000	7,649,917
Transfers out	-	-	(1,023,895)	-	-	(2,485,754)
Long-term debt issued	-	-	-	-	-	55,563,590
Premium on long-term debt issued	-	-	-	-	-	4,182,947
Payment to bond escrow agent	-	-	-	-	-	(60,032,628)
Total other financing sources (uses)	84,658	-	(1,023,895)	1,023,895	200,000	4,878,072
Net Change in Fund Balances (Deficit)	(17,096)	(843)	(1,150,251)	(501,873)	(143,720)	1,882,776
Fund Balances (Deficit) - Beginning of year	49,646	95,481	1,682,165	611,305	1,060,592	5,264,664
Fund Balances - End of year	\$ 32,550	\$ 94,638	\$ 531,914	\$ 109,432	\$ 916,872	\$ 7,147,440

South Lyon Community Schools

	Year Ended					
	Food Services			Athletics		
	Budget	Actual	Over (Under) Budget	Budget	Actual	Over (Under) Budget
Revenues						
Local sources	\$ 1,099,433	\$ 1,002,099	\$ (97,334)	\$ 228,137	\$ 236,013	\$ 7,876
State sources	73,172	63,002	(10,170)	-	-	-
Federal sources	264,628	326,283	61,655	-	-	-
Total revenues	1,437,233	1,391,384	(45,849)	228,137	236,013	7,876
Expenditures						
Food services	1,409,954	1,468,043	58,089	-	-	-
Athletics	-	-	-	228,137	209,215	(18,922)
Total expenditures	1,409,954	1,468,043	58,089	228,137	209,215	(18,922)
Excess of Revenues Over (Under) Expenditures	27,279	(76,659)	(103,938)	-	26,798	26,798
Other Financing Sources (Uses)						
Transfers in	-	-	-	-	29,667	29,667
Transfers out	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	29,667	29,667
Net Change in Fund Balances	27,279	(76,659)	(103,938)	-	56,465	56,465
Fund Balances - Beginning of year	334,036	334,036	-	108,189	108,189	-
Fund Balances - End of year	<u>\$ 361,315</u>	<u>\$ 257,377</u>	<u>\$ (103,938)</u>	<u>\$ 108,189</u>	<u>\$ 164,654</u>	<u>\$ 56,465</u>

Other Supplemental Information
Special Revenue Funds
Combining Statement of Revenue, Expenditures, and
Changes in Fund Balance - Budget and Actual
Year Ended June 30, 2005

June 30			
2005		2004	
Total Special Revenue Funds		Total Special Revenue Funds	
Budget	Actual	Over (Under) Budget	Actual
\$ 1,327,570	\$ 1,238,112	\$ (89,458)	\$ 1,269,598
73,172	63,002	(10,170)	77,963
<u>264,628</u>	<u>326,283</u>	<u>61,655</u>	<u>315,393</u>
1,665,370	1,627,397	(37,973)	1,662,954
1,409,954	1,468,043	58,089	1,418,475
<u>228,137</u>	<u>209,215</u>	<u>(18,922)</u>	<u>216,990</u>
<u>1,638,091</u>	<u>1,677,258</u>	<u>39,167</u>	<u>1,635,465</u>
27,279	(49,861)	(77,140)	27,489
-	29,667	29,667	28,195
<u>-</u>	<u>-</u>	<u>-</u>	<u>(52,474)</u>
<u>-</u>	<u>29,667</u>	<u>29,667</u>	<u>(24,279)</u>
27,279	(20,194)	(47,473)	3,210
<u>442,225</u>	<u>442,225</u>	<u>-</u>	<u>439,015</u>
<u>\$ 469,504</u>	<u>\$ 422,031</u>	<u>\$ (47,473)</u>	<u>\$ 442,225</u>

South Lyon Community Schools

	Bond				
	1992 Series I Actual	1994 Series I Actual	1997 Series I Actual	1998 Series I Actual	2000 Series I Actual
Revenues - Local sources	\$ -	\$ 1,150	\$ 490,361	\$ 3,073,800	\$ 981,045
Expenditures					
Debt service principal	-	-	55,000	1,195,000	135,000
Debt service interest and other	-	172	430,172	1,763,207	483,962
Total expenditures	-	172	485,172	2,958,207	618,962
Excess of Revenues Over (Under) Expenditures	-	978	5,189	115,593	362,083
Other Financing Sources (Uses)					
Transfers in	-	-	91,859	-	-
Transfers out	(83,102)	(8,757)	-	-	(315,000)
Long-term debt issued	-	-	-	-	-
Premium on long-term debt issued	-	-	-	-	-
Payment to bond escrow agent	-	-	-	-	-
Net Change in Fund Balance	(83,102)	(7,779)	97,048	115,593	47,083
Fund Balances (Deficit) - Beginning of year	83,102	7,779	(2,721)	199,894	78,109
Fund Balances - End of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 94,327</u>	<u>\$ 315,487</u>	<u>\$ 125,192</u>

Other Supplemental Information
Debt Service Funds
Combining Statement of Revenue, Expenditures, and
Changes in Fund Balances (Deficit) - Budget and Actual
Year Ended June 30, 2005

Issues						Total 2005		Total 2004
2000 Series II	2000 Series III	2001 Refunding	2003 Series I	2003 Series II	2005 Refunding	Total Debt Service Funds	Total Debt Service Funds	Total Debt Service Funds
Actual	Actual	Actual	Actual	Actual	Actual	Actual	Budget	Actual
\$ 1,475,286	\$ 2,671,624	\$ 2,686,535	\$ 2,242,659	\$ 4,511	\$ -	\$ 13,626,971	\$ 18,597,690	\$ 11,538,627
600,000	700,000	2,025,000	-	-	-	4,710,000	4,710,000	3,940,000
533,823	1,023,455	660,324	2,109,830	1,865,058	421,667	9,291,670	10,168,144	8,552,379
1,133,823	1,723,455	2,685,324	2,109,830	1,865,058	421,667	14,001,670	14,878,144	12,492,379
341,463	948,169	1,211	132,829	(1,860,547)	(421,667)	(374,699)	3,719,546	(953,752)
-	-	-	-	4,549,838	1,370,000	6,011,697	-	-
(255,000)	(800,000)	-	-	-	-	(1,461,859)	(88,300)	-
-	-	-	-	-	55,420,000	55,420,000	-	-
-	-	-	-	-	4,182,947	4,182,947	-	-
-	-	-	-	-	(60,032,628)	(60,032,628)	-	-
86,463	148,169	1,211	132,829	2,689,291	518,652	3,745,458	3,631,246	(953,752)
87,287	158,990	218,350	88,774	-	-	919,564	919,564	1,873,316
\$ 173,750	\$ 307,159	\$ 219,561	\$ 221,603	\$ 2,689,291	\$ 518,652	\$ 4,665,022	\$ 4,550,810	\$ 919,564

South Lyon Community Schools

	Bus Purchases			Site Projects		
	Budget	Actual	Over (Under) Budget	Budget	Actual	Over (Under) Budget
Revenue - Interest	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Expenditures						
Debt service:						
Note redemption	29,383	41,004	11,621	-	-	-
Note interest	297,047	287,701	(9,346)	-	-	-
Other	-	-	-	-	-	-
Capital outlay	124,443	143,590	19,147	83,000	101,754	18,754
Total expenditures	450,873	472,295	21,422	83,000	101,754	18,754
Excess of Revenue Over (Under) Expenditures	(450,873)	(472,295)	(21,422)	(83,000)	(101,754)	(18,754)
Other Financing Sources (Uses)						
Transfers in (out)	300,000	300,000	-	85,000	84,658	(342)
Long-term debt issued	124,443	143,590	19,147	-	-	-
Premium on long-term debt issued	-	-	-	-	-	-
Total other financing sources (uses)	424,443	443,590	19,147	85,000	84,658	(342)
Net Change in Fund Balances	(26,430)	(28,705)	(2,275)	2,000	(17,096)	(19,096)
Fund Balances - Beginning of year	403,686	403,686	-	49,646	49,646	-
Fund Balances - End of year	<u>\$ 377,256</u>	<u>\$ 374,981</u>	<u>\$ (2,275)</u>	<u>\$ 51,646</u>	<u>\$ 32,550</u>	<u>\$ (19,096)</u>

Other Supplemental Information
Capital Projects Funds
Combining Statement of Revenue, Expenditures, and
Changes in Fund Balances - Budget and Actual
Year Ended June 30, 2005

2000 Series I			2000 Series II			2000 Series III		
Budget	Actual	Over (Under) Budget	Budget	Actual	Over (Under) Budget	Budget	Actual	Over (Under) Budget
\$ -	\$ 1,157	\$ 1,157	\$ 10,000	\$ 17,021	\$ 7,021	\$ 20,000	\$ 34,363	\$ 14,363
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	2,000	2,000	1,000,000	143,377	(856,623)	1,700,000	1,560,131	(139,869)
-	2,000	2,000	1,000,000	143,377	(856,623)	1,700,000	1,560,131	(139,869)
-	(843)	(843)	(990,000)	(126,356)	863,644	(1,680,000)	(1,525,768)	154,232
-	-	-	-	(1,023,895)	(1,023,895)	-	1,023,895	1,023,895
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	(1,023,895)	(1,023,895)	-	1,023,895	1,023,895
-	(843)	(843)	(990,000)	(1,150,251)	(160,251)	(1,680,000)	(501,873)	1,178,127
95,481	95,481	-	1,682,165	1,682,165	-	611,305	611,305	-
\$ 95,481	\$ 94,638	\$ (843)	\$ 692,165	\$ 531,914	\$ (160,251)	\$ (1,068,695)	\$ 109,432	\$ 1,178,127

South Lyon Community Schools

	2003 Series I			2003 Series II		
	Budget	Actual	Over (Under) Budget	Budget	Actual	Over (Under) Budget
Revenue - Interest	\$ 700,000	\$ 533,344	\$ (166,656)	\$ -	\$ 381,975	\$ 381,975
Expenditures						
Debt service:						
Note redemption	-	-	-	-	-	-
Note interest	-	-	-	-	-	-
Other	-	-	-	-	352,632	352,632
Capital outlay	14,013,000	13,361,242	(651,758)	5,630,000	3,091,164	(2,538,836)
Total expenditures	14,013,000	13,361,242	(651,758)	5,630,000	3,443,796	(2,186,204)
Excess of Revenue Over (Under) Expenditures	(13,313,000)	(12,827,898)	485,102	(5,630,000)	(3,061,821)	2,568,179
Other Financing Sources (Uses)						
Transfers in (out)	-	-	-	-	(4,549,838)	(4,549,838)
Long-term debt issued	-	-	-	55,730,000	55,730,000	-
Premium on long-term debt issued	-	-	-	500,000	2,688,829	2,188,829
Total other financing sources (uses)	-	-	-	56,230,000	53,868,991	(2,361,009)
Net Change in Fund Balances	(13,313,000)	(12,827,898)	485,102	50,600,000	50,807,170	207,170
Fund Balances - Beginning of year	28,619,458	28,619,458	-	-	-	-
Fund Balances - End of year	\$ 15,306,458	\$ 15,791,560	\$ 485,102	\$ 50,600,000	\$ 50,807,170	\$ 207,170

Other Supplemental Information
Capital Projects Funds
Combining Statement of Revenue, Expenditures, and
Changes in Fund Balances - Budget and Actual (Concluded)
Year Ended June 30, 2005

Capital Improvements			Total 2005			Total 2004
			Total Capital Projects Funds			Total Capital Projects Funds
Budget	Actual	Over (Under) Budget	Budget	Actual	Over (Under) Budget	Actual
\$ -	\$ -	\$ -	\$ 730,000	\$ 967,860	\$ 237,860	\$ 401,777
-	-	-	29,383	41,004	11,621	270,838
-	-	-	297,047	287,701	(9,346)	23,512
-	-	-	-	352,632	352,632	-
372,426	343,720	(28,706)	22,922,869	18,746,978	(4,175,891)	22,379,945
372,426	343,720	(28,706)	23,249,299	19,428,315	(3,820,984)	22,674,295
(372,426)	(343,720)	28,706	(22,519,299)	(18,460,455)	4,058,844	(22,272,518)
200,000	200,000	-	585,000	(3,965,180)	(4,550,180)	752,474
-	-	-	55,854,443	55,873,590	19,147	668,024
-	-	-	500,000	2,688,829	2,188,829	-
200,000	200,000	-	56,939,443	54,597,239	(2,342,204)	1,420,498
(172,426)	(143,720)	28,706	34,420,144	36,136,784	1,716,640	(20,852,020)
1,060,592	1,060,592	-	32,522,333	32,522,333	-	53,374,353
\$ 888,166	\$ 916,872	\$ 28,706	\$ 66,942,477	\$ 68,659,117	\$ 1,716,640	\$ 32,522,333

South Lyon Community Schools

Other Supplemental Information Schedule of Cash, Cash Equivalents, and Investments Year Ended June 30, 2005

Fund	Type of Investment	Interest Rate (Percent)	Date of Maturity	Carrying Value
General	Checking account	Variable	-	\$ 375,979
	Petty cash	-	-	610
	Cash Management Fund - Michigan School District Liquid Asset Fund	Variable	-	2,823,746
	Total General Fund			3,200,335
Special Revenue	Checking account	-	-	294,545
Debt Service	Cash Management Fund - Michigan School District Liquid Asset Fund	Variable	-	4,602,316
Capital Projects	Fifth Third Money Market Fund	Variable	-	1,484,708
	Comerica Governmental Cash Investment Fund	Variable	-	653,354
	Cash Management Fund - Michigan School District Liquid Asset Fund	Variable	-	4,822,859
	FHLMC Bonds	Various	9/15/2005 - 3/15/2022	25,641,574
	FNMA Bonds	Various	7/15/2005 - 6/25/2026	13,771,981
	U.S. Treasury notes	Various	5/15/2005 - 2/15/2007	6,606,527
	Gov't National Mortgage Assoc. Bonds	4.00	2/16/2028 8/1/2005 -	2,120,548
	Federal Home Loan Bank Bonds	Various	11/15/2007	13,115,691
	Federal Farm Credit Bank Bonds	2.25	10/19/2005	1,594,000
	Total Capital Projects Funds			69,811,242
Enterprise	Checking account	-	-	1,564
Agency	Checking account	-	-	124,147
	Comerica Governmental Cash Investment Fund	Variable	-	410,344
	Total Agency Fund			534,491
	Total cash, cash equivalents, and investments			<u><u>\$ 78,444,493</u></u>

South Lyon Community Schools

	1997 Debt	1998 Debt	2000 Series I	2000 Series II
June 30	Principal	Principal	Principal	Principal
2006	\$ 535,000	\$ 1,420,000	\$ 210,000	\$ 675,000
2007	530,000	1,580,000	335,000	750,000
2008	675,000	1,825,000	410,000	775,000
2009	695,000	1,995,000	585,000	775,000
2010	685,000	2,015,000	735,000	800,000
2011	680,000	2,015,000	-	-
2012	670,000	2,015,000	-	-
2013	665,000	2,015,000	-	-
2014	655,000	2,015,000	-	-
2015	650,000	2,015,000	-	-
2016	645,000	2,015,000	-	-
2017	635,000	2,015,000	-	-
2018	625,000	2,015,000	-	-
2019	120,000	2,015,000	-	-
2020	115,000	2,015,000	-	-
2021	-	2,015,000	-	-
2022	-	2,015,000	-	-
2023	-	2,015,000	-	-
2024	-	-	-	-
2025	-	-	-	-
2026	-	-	-	-
2027	-	-	-	-
2028	-	-	-	-
	<u>\$8,580,000</u>	<u>\$35,030,000</u>	<u>\$ 2,275,000</u>	<u>\$ 3,775,000</u>
Principal payments due	May 1	May 1	May 1	May 1
Interest payments due	May 1 and November 1	May 1 and November 1	May 1 and November 1	May 1 and November 1
Interest rate	4.5% to 5.125%	4.05% to 5.4%	5.25% to 5.40%	5.13% to 5.25%
Original issue	<u>\$9,095,000</u>	<u>\$39,900,000</u>	<u>\$14,570,000</u>	<u>\$15,145,000</u>

Other Supplemental Information
Schedule of Bonded Indebtedness
Year Ended June 30, 2005

2000 Series III	2001 Refunding	2003 Series I	2003 Series II	2005 Refunding
Principal	Principal	Principal	Principal	Principal
\$ 1,000,000	\$ 1,500,000	\$ -	\$ -	\$ -
1,000,000	1,690,000	125,000	-	-
1,000,000	1,515,000	570,000	-	-
-	1,475,000	875,000	25,000	650,000
-	1,475,000	1,150,000	400,000	870,000
-	1,475,000	1,150,000	800,000	3,110,000
-	1,475,000	1,150,000	1,200,000	3,540,000
-	1,450,000	1,450,000	1,000,000	3,995,000
-	825,000	1,725,000	1,850,000	4,025,000
-	-	2,000,000	2,025,000	4,330,000
-	-	2,275,000	2,250,000	4,395,000
-	-	2,375,000	2,575,000	4,385,000
-	-	2,375,000	3,055,000	4,380,000
-	-	2,550,000	3,250,000	4,355,000
-	-	2,575,000	3,500,000	4,365,000
-	-	2,575,000	3,750,000	4,355,000
-	-	2,575,000	4,050,000	4,340,000
-	-	2,575,000	4,250,000	4,325,000
-	-	2,600,000	4,350,000	-
-	-	2,600,000	4,350,000	-
-	-	2,600,000	4,350,000	-
-	-	2,625,000	4,350,000	-
-	-	2,625,000	4,350,000	-
<u>\$ 3,000,000</u>	<u>\$ 12,880,000</u>	<u>\$ 43,120,000</u>	<u>\$ 55,730,000</u>	<u>\$ 55,420,000</u>
May 1	May 1	May 1	May 1	May 1
May 1 and November 1	May 1 and November 1	May 1 and November 1	May 1 and November 1	May 1 and November 1
4.5%	3.65% to 5.25%	3.0% to 5.25%	3.25% to 5.25%	3.25% to 5.0%
<u>\$ 38,230,000</u>	<u>\$ 20,815,000</u>	<u>\$ 43,120,000</u>	<u>\$ 55,730,000</u>	<u>\$ 55,420,000</u>

Capital Assets

South Lyon Community Schools

Capital Assets Schedule of Investment in Capital Assets - By Building June 30, 2005

	Land and Improvements	Building and Improvements	Furniture and Equipment	Buses and Other Vehicles	Construction in Progress	Total
Elementary schools:						
Bartlett	\$ 45,276	\$ 5,361,086	\$ 90,000	\$ -	\$ -	\$ 5,496,362
Dolsen	189,874	6,040,748	65,000	-	-	6,295,622
Salem	138,307	6,458,567	30,000	-	-	6,626,874
Sayre	47,853	6,435,942	89,040	-	-	6,572,835
Brummer	590,292	9,187,419	69,806	-	-	9,847,517
Kent Lake	524,514	11,829,166	69,972	-	-	12,423,652
Hardy	481,683	11,382,730	78,786	-	-	11,943,199
Secondary schools:						
Centennial Middle School	212,745	22,200,422	124,013	-	-	22,537,180
Millennium Middle School	635,237	21,389,116	578,000	-	-	22,602,353
High school	1,513,199	57,219,588	833,056	-	-	59,565,843
Early Childhood Center	-	2,585,724	-	-	-	2,585,724
Administration building	-	2,133,000	274,240	-	-	2,407,240
Transportation facility	481,061	837,148	21,214	-	-	1,339,423
Warehouse	-	69,844	17,708	-	-	87,552
Land	6,641,504	-	-	-	-	6,641,504
Construction in progress	-	-	-	-	8,938,340	8,938,340
Vehicles	-	-	-	4,043,752	-	4,043,752
Total	<u>\$ 11,501,545</u>	<u>\$ 163,130,500</u>	<u>\$ 2,340,835</u>	<u>\$ 4,043,752</u>	<u>\$ 8,938,340</u>	<u>\$ 189,954,972</u>

South Lyon Community Schools

Capital Assets **Schedule of Capital Assets by Source** **June 30, 2005**

Capital Assets

Land	\$ 10,141,706
Construction in progress	8,938,340
Land improvements	1,359,839
Buildings and building improvements	163,130,500
Buses and other vehicles	4,043,752
Furniture and equipment	<u>2,340,835</u>

Total	<u><u>\$ 189,954,972</u></u>
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Investment in Capital Assets

All assets acquired prior to July 1, 1995	\$ 47,891,780
General Fund	1,364,138
Capital Projects Funds	<u>140,699,054</u>

Total	<u><u>\$ 189,954,972</u></u>
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Long-term Debt

South Lyon Community Schools

	<u>1997 Series I</u>	<u>1998 Series I</u>	<u>2000 Series I</u>	<u>2000 Series II</u>
Amount Available and to be Provided				
Debt Service Funds:				
Amount available in Debt Service Funds	\$ 94,327	\$ 315,487	\$ 125,192	\$ 173,750
Amount to be provided for payment of bonds payable	<u>8,485,673</u>	<u>34,714,513</u>	<u>2,149,808</u>	<u>3,601,250</u>
Total amount available and to be provided for payment of bonds payable	8,580,000	35,030,000	2,275,000	3,775,000
General Fund - Amount to be provided for payment of other obligations	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total amount available and to be provided	<u>\$8,580,000</u>	<u>\$35,030,000</u>	<u>\$ 2,275,000</u>	<u>\$ 3,775,000</u>
Long-term Debt Payable				
Bonds payable	\$ 8,580,000	\$ 35,030,000	\$ 2,275,000	\$ 3,775,000
Other long-term obligations	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>\$8,580,000</u>	<u>\$35,030,000</u>	<u>\$ 2,275,000</u>	<u>\$ 3,775,000</u>

Note: The above schedule excludes bond premiums and discounts and other bond issuance costs.

Long-term Debt
Schedule of Long-term Debt
June 30, 2005

<u>2000 Series III</u>	<u>2001 Refunding</u>	<u>2003 Series I</u>	<u>2003 Series II</u>	<u>2005 Refunding</u>	<u>Other Obligations</u>	<u>Total Obligations</u>
\$ 307,159	\$ 219,561	\$ 221,603	\$ 2,689,291	\$ 518,652	\$ -	\$ 4,665,022
<u>2,692,841</u>	<u>12,660,439</u>	<u>42,898,397</u>	<u>53,040,709</u>	<u>54,901,348</u>	<u>-</u>	<u>215,144,978</u>
3,000,000	12,880,000	43,120,000	55,730,000	55,420,000	-	219,810,000
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,279,416</u>	<u>2,279,416</u>
<u>\$ 3,000,000</u>	<u>\$ 12,880,000</u>	<u>\$ 43,120,000</u>	<u>\$ 55,730,000</u>	<u>\$ 55,420,000</u>	<u>\$ 2,279,416</u>	<u>\$ 222,089,416</u>
\$ 3,000,000	\$ 12,880,000	\$ 43,120,000	\$ 55,730,000	\$ 55,420,000	\$ -	\$ 219,810,000
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,279,416</u>	<u>2,279,416</u>
<u>\$ 3,000,000</u>	<u>\$ 12,880,000</u>	<u>\$ 43,120,000</u>	<u>\$ 55,730,000</u>	<u>\$ 55,420,000</u>	<u>\$ 2,279,416</u>	<u>\$ 222,089,416</u>

South Lyon Community Schools

	Bond			
	1997 Series I	1998 Series I	2000 Series I	2000 Series II
Long-term debt outstanding - July 1, 2004	\$ 8,635,000	\$ 36,225,000	\$ 14,310,000	\$ 14,775,000
Additions:				
Issuance of other obligations	-	-	-	-
Long-term debt issued	-	-	-	-
Reductions:				
Decrease in other obligations	-	-	-	-
Retirements and payments	(55,000)	(1,195,000)	(12,035,000)	(11,000,000)
Long-term debt outstanding - June 30, 2005	<u>\$ 8,580,000</u>	<u>\$ 35,030,000</u>	<u>\$ 2,275,000</u>	<u>\$ 3,775,000</u>

Note: The above schedule excludes bond premiums and discounts and other bond issuance costs.

Long-term Debt
Schedule of Changes in Long-term Debt
Year Ended June 30, 2005

Issues

2000 Series III	2001 Refunding	2003 Series I	2003 Series II	2005 Refunding	Other Obligations	Total Obligations
\$ 37,700,000	\$ 14,905,000	\$ 43,120,000	\$ -	\$ -	\$ 2,574,303	\$ 172,244,303
-	-	-	-	-	154,066	154,066
-	-	-	55,730,000	55,420,000	-	111,150,000
(34,700,000)	(2,025,000)	-	-	-	(448,953)	(448,953)
					-	(61,010,000)
<u>\$ 3,000,000</u>	<u>\$ 12,880,000</u>	<u>\$43,120,000</u>	<u>\$55,730,000</u>	<u>\$ 55,420,000</u>	<u>\$ 2,279,416</u>	<u>\$ 222,089,416</u>

Statistical and Other Information (Unaudited)

South Lyon Community Schools

	2004	2003	2002	2001
Estimated actual value of taxable property	<u>\$ 4,116,633,110</u>	<u>\$ 3,850,727,856</u>	<u>\$ 3,521,226,944</u>	<u>\$ 3,106,563,556</u>
Taxable value:				
City of South Lyon	\$ 348,641,452	\$ 322,676,712	\$ 299,176,618	\$ 274,148,053
City of Wixom	54,149,112	56,894,950	55,438,680	53,854,600
City of Novi	12,620,861	12,226,100	13,135,190	11,904,790
Lyon Township	624,700,707	561,998,405	511,315,225	463,137,855
Milford Township	26,678,619	26,309,350	26,222,720	26,232,750
Green Oak Township	272,100,578	257,875,641	246,017,048	231,141,375
Northfield Township	57,314,226	54,563,685	52,703,524	49,848,028
Salem Township	176,214,161	164,471,571	154,390,968	137,348,435
Total	<u>\$ 1,572,419,716</u>	<u>\$ 1,457,016,414</u>	<u>\$ 1,358,399,973</u>	<u>\$ 1,247,615,886</u>
Tax rate (mills):				
General Fund (homestead/nonhomestead)	- /18.0000	- /18.0000	- /18.0000	- /18.0000
Debt Service Fund (all property)	<u>8.5000</u>	<u>8.0000</u>	<u>8.0000</u>	<u>8.0000</u>
Total tax rate (homestead/ nonhomestead)	<u>8.5000 /26.5000</u>	<u>8.0000 /26.0000</u>	<u>8.0000 /26.0000</u>	<u>8.0000 /26.0000</u>
General Fund:				
Prior years:				
Levy	\$ -	\$ 7,982,065	\$ 7,523,828	\$ 6,828,763
Collections	-	(7,975,670)	(7,435,989)	(6,828,763)
Write-offs and adjustments	-	-	(87,839)	-
July 1, 2004 tax receivable	-	6,395	-	-
Current year:				
Levy	8,694,303	-	-	-
Collections	(8,692,050)	(6,395)	-	-
Write-offs and adjustments	-	-	-	-
June 30, 2005 tax receivable	<u>\$ 2,253</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Debt Service Funds:				
Prior years:				
Levy	\$ -	\$ 11,658,003	\$ 10,571,502	\$ 9,882,130
Collections	-	(11,655,392)	(10,535,569)	(9,853,783)
Write-offs and adjustments	-	-	(35,933)	(28,347)
July 1, 2004 tax receivable	-	2,611	-	-
Current year:				
Levy	13,369,438	-	-	-
Collections	(13,346,416)	(2,611)	-	-
Write-offs and adjustments	-	-	-	-
June 30, 2005 tax receivable	<u>\$ 23,022</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Source: South Lyon Community School District financial reports

Ten-year Summary of Property Tax Data
Year Ended June 30, 2005
(Unaudited)

2000	1999	1998	1997	1996	1995
\$ 2,667,844,866	\$ 2,304,688,044	\$ 1,905,071,133	\$ 1,640,805,776	\$ 1,510,919,688	\$ 1,421,807,176
\$ 244,465,538	\$ 226,609,178	\$ 180,596,049	\$ 155,647,084	\$ 143,750,663	\$ 133,253,968
51,266,620	45,508,050	43,548,540	36,741,440	28,454,220	21,868,360
11,544,570	11,151,100	11,034,800	12,935,320	12,849,150	12,466,450
399,302,600	343,313,910	306,917,330	277,566,545	260,407,825	244,183,925
25,937,710	22,329,860	18,910,720	17,321,400	16,099,170	30,425,840
216,841,224	204,271,772	194,026,328	179,351,032	166,984,441	151,844,246
45,694,658	42,138,052	38,923,190	36,659,227	32,794,743	29,150,883
128,443,970	121,374,729	113,219,773	104,180,840	94,119,632	87,709,916
\$ 1,123,496,890	\$ 1,016,696,651	\$ 907,176,730	\$ 820,402,888	\$ 755,459,844	\$ 710,903,588
- /17.8524	- /17.8524	- /17.8269	- /18.0000	- /18.0000	- /18.0000
8.0000	8.0000	8.1500	6.2500	6.2500	5.8800
8.0000 /25.8524	8.0000/25.8524	8.1500 /25.9769	6.2500 /24.2500	6.2500/24.2500	5.8800/23.8800
\$ 6,204,572	\$ 5,599,348	\$ 5,041,171	\$ 4,461,862	\$ 4,331,563	\$ 4,172,546
(6,182,024)	(5,529,445)	(5,041,171)	(4,366,315)	(4,275,767)	(3,989,568)
(22,548)	(69,903)	-	(95,547)	(55,796)	(182,978)
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
\$ 8,874,057	\$ 8,033,206	\$ 7,372,449	\$ 5,132,255	\$ 4,687,907	\$ 4,253,802
(8,769,916)	(8,033,206)	(7,372,449)	(5,048,554)	(4,646,286)	(4,253,802)
(104,141)	-	-	(83,701)	(41,621)	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

South Lyon Community Schools

Tax Year	South Lyon Community Schools	State Education	City of South Lyon	Lyon Township	Milford Township	City of Novi	City of Wixom	Oakland County	Oakland Intermediate School District
1995	5.88/23.88*	6.0000	16.1134	4.4250	3.8297	10.1662	8.7186	4.7244	2.1294
1996	6.25/24.25*	6.0000	16.7911	4.4250	3.8297	10.4034	11.3966	4.6244	2.1294
1997	6.25/24.25*	6.0000	16.4844	4.4231	6.0565	10.9282	11.2553	4.5944	2.1294
1998	8.15/25.98*	6.0000	15.8048	4.8665	6.1888	10.7576	11.0815	4.1900	2.1208
1999	8.00/25.85*	6.0000	14.7917	5.5641	6.1443	10.5307	10.5257	4.1900	2.0998
2000	8.00/25.85*	6.0000	13.7500	5.4271	7.4801	10.4218	10.9035	4.1900	2.0752
2001	8.00/26.00*	6.0000	14.7863	4.9866	7.1689	10.5416	11.4564	4.6438	3.4526
2002	8.00/26.00*	6.0000	13.7500	4.7761	7.1196	10.5416	10.6883	4.1900	3.4224
2003	8.00/26.00*	5.0000	14.7151	4.3000	7.0479	10.5416	11.1433	4.1900	3.3991
2004	8.50/26.50*	6.0000	14.7525	4.2000	7.1915	10.5416	11.7393	4.1900	3.3789

* The first amount was the levy on homesteads; the second amount was levied on nonhomesteads.

Source: Assessment and tax roll certificates and warrants

Ten-year Summary of Property Tax Rates
All Direct and Overlapping Governments (Unaudited)
June 30, 2005
(Rates per \$1,000 of Assessed Values)

Oakland Community College	Salem Township	Northfield Township	Washtenaw County	Washtenaw Intermediate School District	Washtenaw Community College	Green Oak Township	Livingston County	Livingston Intermediate School District
1.6522	0.0000	8.6318	5.4967	3.4327	2.9329	2.4562	4.8636	2.6670
1.6522	0.0000	8.1260	5.4963	3.4257	3.9029	2.4562	4.8484	2.6670
1.6522	0.0000	8.6260	5.4963	3.3168	3.9029	2.4562	4.7637	2.6502
1.6456	0.0000	8.4485	5.4963	3.1568	4.1029	2.4562	4.7304	2.6192
1.6295	0.0000	8.4194	5.5197	3.1568	4.0319	2.9293	4.4661	2.5714
1.6109	0.0000	8.6558	5.4759	3.1311	3.9944	2.9015	4.3787	2.5213
1.5952	0.0000	9.4575	5.6772	3.4526	3.9721	2.8604	4.3327	2.4868
1.6090	0.0000	9.5611	5.6186	3.0738	3.8559	3.6286	4.2210	2.4484
1.6090	0.0000	9.6845	5.5819	3.0552	3.8343	3.9670	4.1454	2.4088
1.5889	0.0000	9.6993	5.5493	4.0350	3.7748	3.9454	3.9168	2.3824

South Lyon Community Schools

	City of South Lyon	Lyon Township	Milford Township	City of Novi	City of Wixom
Real Property					
Agricultural	\$ -	\$ 1,845,766	\$ 219,897	\$ -	\$ -
Commercial	36,352,967	72,864,097	153,025	9,497,202	15,201,580
Industrial	6,069,643	66,737,468	14,780,281	251,884	20,963,005
Residential	291,260,508	397,696,885	645,231	774,118	6,395,585
Developmental	274,804	19,265,905	187,224	1,099,852	-
Total real property	333,957,922	558,410,121	15,985,658	11,623,056	42,560,170
Personal Property	14,683,530	66,290,586	10,692,961	997,805	11,588,942
Total real and personal property	<u>\$ 348,641,452</u>	<u>\$ 624,700,707</u>	<u>\$ 26,678,619</u>	<u>\$ 12,620,861</u>	<u>\$ 54,149,112</u>
Percent of Taxable Value per Entity	22.17%	39.73%	1.70%	0.80%	3.44%

* Taxable value as of December 31, 2003. This value is for the 2004 tax year, which is the 2005 fiscal year tax base for the South Lyon Community School District.

Source: Oakland Schools Summaries and Surveys report dated April 2005

**Taxable Value Data
June 30, 2005
(Unaudited)**

Salem Township	Northfield Township	Green Oak Township	Total	Percent of Total Real Property	Percent of Total Roll
\$ 3,724,333	\$ 3,748,224	\$ 207,047	\$ 9,745,267	0.68	0.63
9,361,229	764,727	2,246,937	146,441,764	10.08	9.31
4,808,320	-	3,954,911	117,565,512	8.09	7.48
150,529,829	50,850,345	259,642,400	1,157,794,901	79.70	73.62
-	267,730	-	21,095,515	1.45	1.34
168,423,711	55,631,026	266,051,295	1,452,642,959	100.00	92.38
7,790,450	1,683,200	6,049,283	119,776,757		7.62
\$ 176,214,161	\$ 57,314,226	\$ 272,100,578	\$ 1,572,419,716		100.00
11.21%	3.65%	17.30%	100.00%		

South Lyon Community Schools

Schedule of Direct and Overlapping Debt Year Ended June 30, 2005 (Unaudited)

Direct Debt - General Obligation Bonds \$ 219,810,000

	Percentage	Debt Outstanding	
Overlapping Debt			
City:			
South Lyon	100.00%	\$ 20,990,000	20,990,000
Wixom	6.30%	26,010,000	1,638,630
Novi	0.44%	91,685,000	403,414
Township:			
Salem	57.57%	2,450,000	1,410,465
Lyon	97.98%	39,695,000	38,893,161
Green Oak	35.71%	33,491,000	11,959,636
Northfield	18.94%	14,310,000	2,710,314
Milford	3.31%	7,550,000	249,905
County:			
Livingston	3.80%	18,690,838	710,252
Washtenaw	1.82%	39,241,604	714,197
Oakland	1.91%	97,280,092	1,858,050
Intermediate School District - Oakland	2.82%	11,200,000	315,840
Library - Salem-South Lyon District Library	81.73%	1,915,000	1,565,130
Community College - Oakland	2.83%	12,325,000	348,798
Total overlapping debt			<u>83,767,792</u>
Total direct and overlapping debt			<u>\$303,577,792</u>

Ratios			
Direct Debt to		Direct and Overlapping Debt to	
Taxable value*	13.98%	Taxable value*	19.31%
Per capita**	\$ 5,949	Per capita**	\$ 8,216

* Based on taxable value of \$1,572,419,716

** Based on estimated population of 36,948

Source: Municipal Advisory Council

South Lyon Community Schools

Schedule of Legal Debt Margin June 30, 2005 (Unaudited)

Taxable Value - December 31, 2003*	<u>\$ 1,572,419,716</u>
Statutory Bonding Limit - 15 percent of taxable value**	\$ 235,862,957
Bonded Debt Outstanding	\$ 219,810,000
Less Qualified Bonds***	<u>176,690,000</u>
Total Subject to Debt Limit - June 30, 2005	<u>43,120,000</u>
Legal Debt Margin	<u>\$ 192,742,957</u>

* Taxable value as of December 31, 2003. This value is for the 2004 tax year, which is the 2005 fiscal year tax base for South Lyon Community School District.

** In order to bond within these limits, a referendum would need to be approved by voters.

*** Act 451, Public Acts of Michigan, 1976, states that legal debt margin does not include any bond qualified under Article IX, Section 16, of the 1963 Michigan Constitution.

Source: South Lyon Community School District

South Lyon Community Schools

Ten-year Comparison of Unreserved Fund Balance to Expenditures and Other Uses - General Fund June 30, 2005 (Unaudited)

Fiscal Year	Undesignated Fund Balance	Expenditures and Other Uses	Fund Balance as a Percentage of Expenditures and Other Uses
1996	\$ 2,024,537	\$ 27,181,131	7.45
1997	1,671,751 *	30,187,178	5.54
1998	2,606,667	33,544,486	7.77
1999	2,390,387	34,690,212	6.89
2000	2,448,137	38,512,895	6.36
2001	2,250,230	40,160,596	5.60
2002	1,953,548	44,678,175	4.37
2003	2,180,272	46,323,466	4.71
2004	2,256,239	48,789,286	4.62
2005	2,356,717	51,617,712	4.57

* This number is net of a \$576,655 residual equity transfer to the Capital Projects Funds.

Source: South Lyon Community Schools' financial reports

South Lyon Community Schools

Ten-year Comparison of Debt Service Expenditures to Total Debt Service and General Fund Expenditures and Other Uses June 30, 2005 (Unaudited)

Fiscal Year	Debt Service Expenditures and Other Uses	Total Debt Service and General Fund Expenditures and Other Uses	Percent of Debt Service Expenditures and Other Uses to Total Debt Service and General Fund Expenditures and Other Uses
1995-1996	\$ 4,220,710	\$ 31,401,841	13.44
1996-1997	4,794,248	34,981,426	13.77
1997-1998	14,206,569	47,751,055	29.75
1998-1999	7,825,196	42,515,408	18.41
1999-2000	7,891,924	46,404,819	17.01
2000-2001*	9,705,177	49,865,773	19.46
2001-2002	9,748,396	54,246,571	17.97
2002-2003	10,756,099	57,079,565	18.84
2003-2004	12,492,379	61,281,665	20.39
2004-2005**	15,463,529	67,081,241	23.05

* 2000-2001 excludes a payment to refunded bond escrow agent of \$21,684,175.

** 2004-2005 excludes a payment to refunded bond escrow agent of \$60,032,628.

Source: South Lyon Community School District reports

South Lyon Community Schools

Ten-year Comparison of Bonded Debt to Taxable Value and Population June 30, 2005 (Unaudited)

Fiscal Year	Bonded Debt	Taxable Value	Percent of Bonded Debt to Taxable Value	Estimated	
				Population	Per Capita Debt
1995-1996	\$ 44,025,000	\$ 710,903,588	6.19	27,346	\$ 1,610
1996-1997	42,025,000	755,459,844	5.56	27,893	1,507
1997-1998	80,030,000	820,402,888	9.75	29,458	2,717
1998-1999	76,925,000	907,176,730	8.48	31,125	2,471
1999-2000	87,700,000	1,016,696,651	8.63	33,205	2,641
2000-2001	136,995,000	1,123,496,890	12.19	34,834	3,933
2001-2002	134,120,000	1,247,615,886	10.75	35,595	3,768
2002-2003	173,610,000	1,358,399,973	12.78	35,922	4,833
2003-2004	169,670,000	1,457,016,414	11.65	36,906	4,597
2004-2005	219,810,000	1,572,419,716	13.98	36,948	5,949

Source: South Lyon Community School District financial reports and municipalities

South Lyon Community Schools

	2005	2004**	2003*	2002	2001
Revenues					
Local sources	\$ 8,898,430	\$ 8,291,632	\$ 7,965,494	\$ 8,140,344	\$ 6,843,943
State sources	38,343,712	37,276,573	37,086,902	35,361,133	33,015,282
Federal sources	1,804,992	1,184,963	136,803	77,136	-
Interdistrict	2,620,912	2,007,019	1,321,646	1,345,232	335,971
Other Sources - Transfers and other	-	85,804	-	29,623	-
Total general fund revenues and other sources	\$ 51,668,046	\$ 48,845,991	\$ 46,510,845	\$ 44,953,468	\$ 40,195,196
Expenditures					
Instruction	\$ 28,497,026	\$ 27,353,993	\$ 25,058,436	\$ 24,176,052	\$ 21,698,606
Support services	21,591,937	19,989,712	19,074,236	16,864,802	16,221,285
Community services	154,516	145,680	146,635	142,800	178,881
Debt service	-	-	-	-	-
Capital outlay and other	759,908	485,902	216,314	1,313,854	713,872
Other Uses - Transfers	614,325	813,999	1,827,845	2,180,667	1,347,952
Total general fund expenditures and other uses	\$ 51,617,712	\$ 48,789,286	\$ 46,323,466	\$ 44,678,175	\$ 40,160,596
Official Student Enrollment	6,816	6,645	6,496	6,273	6,077
Expenditures and Other Uses per Student	\$ 7,573	\$ 7,342	\$ 7,131	\$ 7,122	\$ 6,609

* Due to an Early Retirement Incentive for teachers, instructional costs were reduced in 2002-03. In addition, a second middle school opened up in August 2002, which resulted in increased support costs to the School District. Also, athletic salaries are now accounted for in the General Fund; previously, they were accounted for in the Special Revenue Fund for Athletics.

** Grants were added to the General Fund beginning in 2003-2004. Previously, grants were accounted for in a separate Special Revenue Fund.

Source: South Lyon Community School District financial reports

**Ten-year Schedule of General Fund Revenues and Other Sources,
Expenditures and Other Uses, Student Enrollment, and Expenditures and
Other Uses per Student
June 30, 2005
(Unaudited)**

2000	1999	1998	1997	1996
\$ 6,388,148	\$ 5,655,585	\$ 4,860,712	\$ 4,947,862	\$ 4,683,899
30,641,591	28,287,742	28,662,959	24,555,164	22,337,347
-	124,548	41,269	79,050	-
589,270	690,629	495,355	64,805	-
931,469	-	420,145	769,851	351,797
<u>\$ 38,550,478</u>	<u>\$ 34,758,504</u>	<u>\$ 34,480,440</u>	<u>\$ 30,416,732</u>	<u>\$ 27,373,043</u>
\$ 20,482,216	\$ 18,856,051	\$ 17,034,130	\$ 16,358,853	\$ 14,953,680
15,588,157	13,409,406	12,192,598	11,383,824	10,290,960
162,382	163,022	86,021	76,103	54,572
657,170	462,049	378,460	250,872	183,323
1,149,905	1,094,341	842,492	938,674	518,743
473,065	705,343	3,010,785	1,178,852	1,179,853
<u>\$ 38,512,895</u>	<u>\$ 34,690,212</u>	<u>\$ 33,544,486</u>	<u>\$ 30,187,178</u>	<u>\$ 27,181,131</u>
<u>6,025</u>	<u>5,669</u>	<u>5,360</u>	<u>5,102</u>	<u>4,828</u>
<u>\$ 6,392</u>	<u>\$ 6,119</u>	<u>\$ 6,258</u>	<u>\$ 5,917</u>	<u>\$ 5,630</u>

South Lyon Community Schools

Government-wide Revenues by Source and Expenses by Function (Unaudited) Year Ended June 30, 2005

	2005	2004	2003
Government-wide revenues by source:			
Charges for services	\$ 2,520,443	\$ 2,482,504	\$ 2,268,132
Operating grants/contributions	5,797,250	4,992,877	5,055,763
General revenues	<u>61,020,178</u>	<u>56,602,494</u>	<u>55,484,090</u>
Total government-wide revenues by source	<u>\$ 69,337,871</u>	<u>\$ 64,077,875</u>	<u>\$ 62,807,985</u>
Government-wide expenditures by function -			
Governmental activities:			
Instruction	\$ 34,908,527	\$ 30,559,944	\$ 28,930,215
Support services	22,794,525	20,528,263	18,715,473
Food services	1,468,043	1,418,475	1,328,562
Athletics	209,215	216,990	208,735
Community services	154,516	145,680	146,635
Interest on long-term debt	9,594,366	8,518,621	7,307,713
Depreciation (unallocated)	-	-	3,153,807
Business-type activities - Community education	<u>1,261,082</u>	<u>1,106,892</u>	<u>988,951</u>
Total government-wide expenses	<u>\$ 70,390,274</u>	<u>\$ 62,494,865</u>	<u>\$ 60,780,091</u>

Implementation of GASB #34 occurred during the year ended June 30, 2003. Figures are not available prior to the year ended June 30, 2003.

Source: South Lyon Community Schools' financial reports

South Lyon Community Schools

Insurance Coverage June 30, 2005 (Unaudited)

Replacement Coverage

All school buildings (real property)	\$ 176,024,833
Contents (personal property)	<u>21,060,884</u>

Total replacement coverage	<u><u>\$ 197,085,717</u></u>
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Liability Insurance

General liability:	
Bodily injury	\$ 5,000,000
Property damage (per occurrence)	1,000,000
Automobile liability - Bodily injury and property damage (per occurrence)	5,000,000

Umbrella Liability - Excess liability	5,000,000
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Boiler and Machinery (All locations)	1,000,000
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School Leaders Errors and Omissions	5,000,000
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Source: South Lyon Community Schools 2004 inventory and SET-SEG insurance policy

South Lyon Community Schools

Economic and Statistical Data June 30, 2005 (Unaudited)

Largest Taxpayers in South Lyon Community School District - 2004

	Taxable Value	Percent of Total
Colonial Acres	\$ 29,601,840	1.88
Detroit Edison	18,063,880	1.15
Consumers Energy	12,622,053	0.80
PM First Management	11,186,530	0.71
Rushton-Green Oak Land Co.	10,494,157	0.67
Walmart	9,340,270	0.59
Cummins Bridgeway	8,448,110	0.54
Alliant Food Services	7,458,270	0.47
Brookwood Farms	6,680,800	0.42
Northville Crossing Venture	5,530,129	0.35
Total	<u>\$ 119,426,039</u>	<u>7.58</u>

These valuations represent 7.58 percent of the School District's 2004 taxable value of \$1,572,419,716.

Number of Schools

Elementary schools	7
Middle schools	2
High school	1

Number of Employees 697

Total Student Enrollment 6,816

Number of Classrooms 371

Source: Cities of Novi, Wixom, and South Lyon and Townships of Green Oak, Lyon, Milford, Northfield, and Salem and Detroit Edison

South Lyon Community Schools

Summary of Owned Buildings and Sites June 30, 2005 (Unaudited)

Facility	Official Enrollment 2004-05	Building Square Footage	Site Acreage
<u>Instructional</u>			
Elementary schools:			
Bartlett	458	72,362	28.0
Brummer	548	68,585	26.6
Dolsen	354	59,555	4.0
Hardy	314	85,666	17.8
Kent Lake	561	72,113	34.0
Salem	428	53,317	10.6
Sayre	575	63,530	17.6
Total	3,238	475,128	138.6
Middle schools:			
Centennial	667	153,740	15.0
Millennium	890	188,406	29.9
Total	1,557	342,146	44.9
South Lyon High School	1,948	401,734	101.8
Alternative Education	73	-	-
Total instructional	6,816	1,219,008	285.3
<u>Noninstructional</u>			
Central administration	-	10,764	2.1
Transportation facility	-	15,985	4.8
Warehouse*	-	2,800	N/A*
Total noninstructional	-	29,549	6.9

* The warehouse is located on the middle school site.

Source: South Lyon Community Schools

South Lyon Community Schools

Five-year Enrollment Projection (Unaudited)

<u>School Year</u>	<u>Projected Enrollment*</u>	<u>Increase</u>	<u>Rate of Increase</u>
2004-2005	6,863	189	2.83%
2005-2006	7,072	209	3.05%
2006-2007	7,267	194	2.75%
2007-2008	7,437	170	2.34%
2008-2009	7,626	189	2.54%

* Beginning in the 2004-2005 fiscal year, current enrollment counts for 75 percent of the official enrollment, while 25% of the official enrollment will be the prior year winter count.

Source: South Lyon Community Schools

South Lyon Community Schools

Graduate Information (Unaudited)

<u>School Year</u>	<u>High School</u>	<u>Adult High School Completion</u>
1995-1996	243	55
1996-1997	298	46
1997-1998	281	55
1998-1999	307	57
1999-2000	347	56
2000-2001	314	65
2001-2002	345	63
2002-2003	326	63
2003-2004	399	67
2004-2005	397	41

Source: South Lyon Community Schools